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# USSR Report

USA: ECONOMICS, POLITICS, IDEOLOGY

No. 12, December 1982

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28 April 1983

## USSR REPORT

## USA: ECONOMICS, POLITICS, IDEOLOGY

No. 12, December 1982

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## U.S. ECONOMIC PROBLEMS SHOW SOVIET SUPERIORITY

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 12, Dec 82  
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[Article: "Two Worlds, Two Ways of Life"]

[Text] In the last months of this year all progressive mankind will celebrate three historic dates--the 65th anniversary of the Great October Socialist Revolution, the 60th anniversary of the USSR and the 5th anniversary of the new Constitution of the USSR. These three events are indissolubly, organically connected to one another. It was precisely the triumphant proletarian revolution in Russia that made the creation of the world's first united multinational state of workers and peasants possible by putting an end to social and ethnic oppression and by rousing all of the many nationalities and ethnic groups of the former empire to make history in a creative and independent way.

Great October marked the beginning of the fall of the world capitalist system, a system based on oppression of all types--economic, social, ethnic and ideological. It paved the way for socialist revolutions and national liberation movements in many countries by arming the laboring public with rich experience in struggle for genuine liberty. The formation of the USSR was a logical continuation of the work begun by the October Revolution. The centuries-old dreams of mankind became reality on one-sixth of our planet. The ideas set forth by the founders of Marxism, which were then developed creatively by V. I. Lenin and were central to the activities of the party he founded, were actually implemented. "As a confirmed internationalist," the decree of the CPSU Central Committee "On the 60th Anniversary of the Union of Soviet Socialist Republics" says, "he waged a consistent and irreconcilable struggle for the revolutionary unification of all laborers and against extreme measures in the resolution of ethnic problems. Lenin's political and organizational genius and the tremendous amount of work he performed united the strength of the militant organization of communists with the revolutionary enthusiasm of the proletariat and the insuperable desire of the public for ethnic equality and freedom."

The creation of the USSR was of tremendous international significance and influenced the entire course of world history in many ways. This influence is made particularly strong by the antagonistic conflicts arising throughout

the capitalist world between imperialism and the international working class with its allies.

The progression of history cannot be stopped. In our era the main element of this progression is the revolutionary transition of mankind from capitalism to socialism. The sphere of influence of the international monopolistic bourgeoisie is constantly contracting. The capitalist class is incapable of withstanding the pressure of forces fighting for the rights of the laboring public and the peace and security of all people--or, in V. I. Lenin's words, "for the creation of a new kind of civilization on earth." The attempts to discredit the ideals of fraternity and equality by means of propaganda and to undermine the main achievement of the international working class--real socialism--have invariably failed completely. The advances made by the socialist countries in their free development are an inspiration to the underprivileged, oppressed and exploited masses throughout the world in the struggle for their rights.

It is precisely this that monopolistic capital fears so much now that it is losing one of its positions after another. It is motivated by the fear of losing the profits it derives from the exploitation of laborers in their own countries and the superprofits it derives from the superexploitation of oppressed minorities in their own countries and in other dependent states. It is no coincidence that imperialism is directing all of the force of its hatred and all of its resources into an attack on the world socialist system, especially the Soviet Union. It is using every means at its disposal--from a massive psychological onslaught, which is essentially psychological warfare, to the escalation of an insane arms race. The disgraceful features of capital were mercilessly held up to shame by K. Marx, who said that capital would resort to any crime for the sake of superprofits, even at the risk of a death penalty. Now the most aggressive imperialist circles have even declared their willingness to start a nuclear war--whether "limited" or "protracted"--in order to preserve the system in which they are dominant and to secure these superprofits, even if this should threaten the existence of all mankind. What could be more criminal!

In an attempt to justify an unrestrained arms buildup which is absolutely absurd from the standpoint of common sense (according to available data, existing weapon stockpiles could destroy all life on earth 14 (!) times over), the ideologists of the imperialist bourgeoisie are singing variations of the tune of the "Soviet threat" in all keys. The powerful propaganda machine at their disposal, which has been built up over many decades, allows them, unfortunately, to manipulate the thinking of even the particular segments of bourgeois society whose objective standing gives them no incentive whatsoever to escalate the arms race.

One of the main reasons why ruling imperialist circles need the "Soviet threat" scarecrow is to divert the attention of the broad laboring masses away from the concrete symptoms of the decay of capitalist society--economic crisis, intensified social inequality, class, ethnic and racial oppression and spiritual degradation. All of these processes are displayed most clearly and vividly in the capitalist world's main country--the United States of America.

The merger and interaction of government and big capital for the attainment of American imperialism's global objectives and the augmentation of monopoly profits are more apparent now than ever before. The most serious contradictions are unavoidable in the world capitalist economy and, in particular, in the U.S. economy. Monopolistic capital's offensive is intensifying these contradictions and making them more difficult to overcome.

The tone of American domestic and foreign policy is now set by the most aggressive and militaristic strata of the monopolistic bourgeoisie. The antidemocratic, antihumane nature of this policy is becoming harder to conceal. The richest country in the capitalist world is incapable of healing even the most disgraceful wounds of its own society. To benefit the military-industrial complex, whose representatives on Capitol Hill have been aptly christened "catastrophe lobbyists," the most massive redistribution of federal budget funds in the postwar period is being conducted. The arms race is absorbing larger and larger chunks of the appropriations for social programs. But after all, it was precisely these programs that served as the nutritive medium for the propaganda theories of the "Great Society," the "state of universal prosperity" and the "uniquely American course of development." Under present conditions even the most zealous defenders of American capitalism would rather not use the commercial wrapper in which the image of America was popularized throughout the world for a long time.

In a country which boasts that all of its citizens have "equal opportunities," around 11 percent of the working-age population has no opportunity to exercise the most elementary right of the individual--the right to work. The number of people doomed to a semidestitute existence is rising catastrophically. According to official data, and this means that they are understated, the number has now reached 32 million. In other words, one out of every seven Americans is personally experiencing the seamy side of bourgeois democracy.

At one time bourgeois propaganda obsessively listed the advantages of the American way of life. Now the most characteristic features of this way of life have become the sharp increase in mental illness, dramatic leap in the crime rate and rise in the number of suicides which accompany mass unemployment. Soup kitchens and flophouses, which once served rag-pickers and other tramps but now accommodate unemployed workers, are indispensable attributes of the American way of life today.

The outcasts of American society also have their own pariahs--members of ethnic minorities. Suffice it to say that the income of the average black family is 40 percent below the income of the white family. Unemployment among blacks is much higher than the national average. It is 18.8 percent, and even 51.6 percent among young blacks. At a recent NAACP convention, one delegate said: "Many of our young people have no jobs and even more of them are ineligible for vocational training programs, do not go to school and have given up completely. They feel that crime is their only alternative. The slightest spark could cause an explosion among them." These words are also fully applicable to Indians, Mexican-Americans, Asian refugees and immigrant workers from Latin America and the Caribbean.

The authors of the report "Civil Liberties in Reagan's America," recently published by the American Civil Liberties Union, say that the administration has assumed the functions of the "ideological opposition" to the human rights declared in the U.S. Constitution. It has taken the side of those who want to preserve the system of segregation in the country; it has also taken measures to remove the remaining legislative restrictions that were supposed to guard Americans against the authoritarianism of the special services. The report also stresses that the administration obviously wants to place the judicial system at the disposal of the powers that be.

The American administration itself has tacitly acknowledged the extremely unfavorable aspects of the present situation. When this year's election campaign was drawing to a close, one of Ronald Reagan's chief advisers described the strategy of the White House in unequivocal terms, saying: "We are going to advertise hope." Indeed, given the present atmosphere of total despair, the appeal not to lose hope is virtually all that the U.S. administration can offer the people.

The despondency of the majority of Americans naturally affected the mid-term election results. The prevailing sense of apathy kept many people from casting their ballots: Many voters felt it was senseless even to go to the polls. Nevertheless, dissatisfaction with the present administration motivated many other Americans to vote for Democratic candidates. By making this choice, they unequivocally condemned the antidemocratic economic and social policy which had brought the laboring public, particularly the poorest strata, new deprivations. It is not surprising that many experts believe that unemployment and insecurity have become the main factors determining the political behavior of voters. As a result, the Republicans lost 26 seats in the House of Representatives and 7 gubernatorial slots.

All of the loud statements about equality in today's America have actually resulted in equality for the capitalist class, and not in any sense for the entire population. As General Secretary Gus Hall of the Communist Party USA wrote, "under capitalism, a system which gives precedence to the right to derive profits by exploiting people, human rights and corporate rights are incompatible."

Only socialism has raised the struggle for human rights and freedom to the proper height. The people's government in the socialist countries acts in the interest of the overwhelming majority, while the bourgeois state protects the power of an insignificant minority. Socialism is creating a new, history-making type of democracy by broadening the range of democratic rights and freedoms and by giving them a new, socialist meaning. By overthrowing capitalism, establishing public ownership of the means of production and putting an end to exploitation, class antagonism and ethnic enmity forever, socialism has become history's first real government by the majority of the population and has provided broad opportunities for the development and constant improvement of the entire democratic system.

The ideals of humanism and social justice, which inspired the laboring public of Russia to wage a socialist revolution and create an equitable union of

free nationalities, have been implemented consistently in the new Basic Law of the USSR, according to which the people of our country live. The radical changes in the Soviet Union's international standing, the enhancement of its prestige in the world and the close interrelationship of domestic and foreign developmental factors necessitated the inclusion of a special chapter in the Constitution of the USSR to confirm and record the peaceful nature of the foreign policy of the world's first socialist state, the main goal of which is the transformation of international relations in the interest of all mankind. The new socialist community of nationalities has created a fundamentally new foreign policy in which the construction of a communist society is organically combined with the struggle for peace. Therefore, the very essence of the socialist state's foreign policy has become state law in the USSR.

"The Soviet Union," General Secretary of the CPSU Central Committee and Chairman of the USSR Supreme Soviet Presidium L. I. Brezhnev said when he addressed a conference of military commanders in the Kremlin, "is the largest socialist state and is being watched by the entire world. This gives our foreign policy a special meaning and purpose. The 26th CPSU Congress set forth an extensive program of struggle for peace. It is consistent with the spirit of Lenin's precepts and has won universal recognition."

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## SOVIET SUCCESSES, U.S. FAILURES IN NATIONALITIES POLICY VIEWED

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[Article by M. I. Kulichenko and K. S. Luzik: "The Vital World and the World at an Impasse"; passages rendered in all capital letters are printed in bold-face in source]

[Text] The 60th anniversary of the USSR is an important event in the life of the Soviet people and evidence of the triumph of the CPSU's Leninist policy on nationalities and socialism's historic achievements.

The people of the former Russian empire entered the era of socialism from widely differing levels of socioeconomic development. Under the conditions of domination by landowners and capitalists, the future of the most backward peoples of the empire was so bleak that even the eradication of illiteracy, with no change in the rate of educational development, was scheduled for 2016 in Bashkiriya and even later in Central Asia. There were even some prophets who predicted the total extinction of more than one nationality. For example, according to one such prediction, the Chechen and Ingush nationalities were supposed to have disappeared from the face of the earth by now--by the beginning of the 1980's. There are now close to 1 million of them, however, and they have a joint soviet government, a developed economy and culture, a working class and an intelligentsia.

Socialism saved small nationalities from extinction, united them and instilled them with faith in their own strength. All of them have established their own organs of authority and the majority have a national government. The formerly oppressed nationalities and ethnic groups of Russia, a country which V. I. Lenin quite justifiably described as a "prison for nationalities," were completely emancipated. On behalf of the Communist Party and the Russian working class, he proudly announced: "We gave ALL of the non-Russian nationalities THEIR OWN republics or autonomous oblasts."<sup>1</sup> The "transition period of the total liberation of all oppressed nationalities" predicted by V. I. Lenin<sup>2</sup> essentially coincided with the construction of the bases of socialism. As a result of the successful eradication of actual inequality, all nationalities and ethnic groups attained the same level of development and became socialist almost simultaneously. The decree of the CPSU Central Committee on the 60th anniversary of the USSR says that we can be "proud that

the peoples of the former national districts, who were previously doomed to centuries of backwardness, marched confidently into the socialist future along with laborers of all nationalities in our country, bypassing the capitalist stage and reaching the heights of social progress."<sup>3</sup>

The triumph of socialism led to the birth of a previously unknown, and unthinkable under capitalist conditions, phenomenon in the Soviet country--Leninist friendship among peoples. This friendship became the driving force in the development of the Soviet society and played one of the most important roles in the defeat of fascist Germany and imperialist Japan, which were threatening the freedom and independence of our multinational homeland, and in the construction of a developed socialist society after the war.

From the first years of the Soviet regime, General Secretary of the CPSU Central Committee L. I. Brezhnev said at the 26th party congress, our economic and social policy was aimed at bringing the former national districts of Russia up to the level of its center as quickly as possible. "And this task was performed successfully," he said. "Close cooperation by all of the country's nationalities and, above all, the selfless assistance of the Russian people played the most important role in this process."<sup>4</sup> In the Soviet vocabulary the very terms "national district" and "ethnic minority," which were once synonymous with the backwardness and inferiority of many large regions and the people inhabiting them, are now used only in reference to the past. No other multinational state in history has done so much for the all-round development of the nationalities and ethnic groups inhabiting it in such a short time.

A new historic community--the Soviet people--was born in our country for the first time in history. This is the natural result of the common history and common destiny of our nationalities and ethnic groups, the result of economic, sociopolitical and spiritual transformations and the direct result of the Leninist party's actions to strengthen the unity of the Soviet society by means of the all-round development and constant convergence of all nationalities. The community of Soviet people is not at all the result of the merger or assimilation of nationalities and ethnic groups, as the anti-Soviets have unsuccessfully implied. On the contrary, this new community can exist and develop while different nationalities and ethnic groups exist. Its birth was an objective result of the progress of mature socialism: The new stage in the development of nationalities and ethnic groups and their new and higher demands can be secured only by international unity.

Tireless work to secure the interests of each nationality to the maximum, combined with the desire of each nationality to contribute the maximum to our common progress--this is the law of our development. Friendship among peoples, L. I. Brezhnev said in May 1982, "is displayed and should be displayed primarily in concrete actions, in the concern of each nationality for nationwide interests and in the concern of the entire population for the all-round development of each nationality. This is the essence of the current nationalities policy of our party and the Soviet Government."<sup>5</sup>

The construction of mature socialism in our country has been marked by the continuous convergence of nationalities.

The increasingly strong COMMON ECONOMIC LIFE of the peoples of the USSR clearly corroborates the statement in the CPSU Program that each Soviet republic can flourish and gain strength only in the great family of fraternal socialist nationalities. Only in this way, on the strong foundation of the jointly created economy, has the attainment of the historic objective of the legal and actual equality of all nationalities and ethnic groups been made possible. The fraternal Soviet republics took different roads to reach this equality. Whereas the nationwide industrial product increased by 537 times in the last 60 years, the figures are 711 in the Kirghiz SSR, 729 in Belorussia, 902 in the Tajik SSR, 928 in the Kazakh SSR, 973 in Moldavia and 1,036 in the Armenian SSR. One of the main results of the united efforts of nationalities was the successful equalization of their levels of economic development. Differences in indicators of republic industrial production decreased to around 4.5 times between 1940 and 1965, and to 1.2 times between 1965 and 1980.

The party is still making constant use of economic leverage to strengthen the international unity of peoples and guarantee new successes in the development of each nationality. The unified national economic complex, which can function as a single entity only if local initiative is developed to the maximum, has a special role to play in this process.

The reinforcement of the common economic foundation has been accompanied by a constant increase in the SIGNIFICANCE OF THE SOCIAL UNITY of nationalities and ethnic groups within the new historic community of the Soviet people. It is reflected in the leading role played by the working class in the life of all republics, in the consolidation of its alliance with the kolkhoz peasantry and people's intelligentsia, in the equalization of the proportions accounted for by the main social groups in each nationality, and in the intensification of the social homogeneity of the entire society and each nationality and ethnic group.

The unified Soviet working class, which plays the leading role in the development of nationalities and ethnic groups, reflects their tendency toward convergence and guides this process. The proportions accounted for by the working class in the union republic populations have been equalized considerably in the last two decades. The growth rate of this class is planned with a view to the need to equalize levels of development. Whereas the size of the nationwide working class increased by 39.8 percent between 1965 and 1980, the figures were 31 percent in the RSFSR, 84 percent in the Turkmen SSR, 85.1 percent in Armenia, 99.2 percent in the Uzbek SSR, 116.4 percent in the Tajik SSR and 128.5 percent in Moldavia. The same can be said of the growth rate of specialists with a higher and secondary specialized education: The number of these specialists increased 2.4-fold during the same period throughout the USSR, 2.3-fold in the RSFSR, 2.6-fold in the Kazakh, Kirghiz and Turkmen SSR's, 2.7-fold in Belorussia and Armenia, 2.9-fold in Lithuania, Moldavia and the Tajik SSR and 3-fold in the Uzbek SSR.

The Soviet republics have a multinational population. Furthermore, people representing dozens of nationalities work side by side on literally each construction site and at each enterprise. The republics cooperate closely in

the training and exchange of working class and intelligentsia personnel. As a result, non-native nationalities accounted for around two-fifths of the workers in the Ukraine and Belorussia by the end of the 1970's, 45-60 percent of the workers in the Central Asian republics and 20-50 percent in the Baltic republics. This kind of exchange instills labor collectives with the spirit of internationalism, contributes to the development of common material and spiritual values and thereby leads to the further equalization of nationalities and ethnic groups.

THE COMMON POLITICAL LIFE of nationalities and ethnic groups is one of the important spheres where their unity has recently been strengthened with particular intensity. The all-round development of socialist democracy, the reinforcement of the federated bases of the state, the improvement of the union and national people's governments and, in general, the improvement of the entire political organization of society are areas in which a great deal has already been accomplished.

The international unity of the Soviet population was clearly demonstrated in the February 1980 elections to the union and autonomous republic supreme soviets, when deputies representing 71 nationalities were elected to these organs, and people of over 100 nationalities were elected to local soviets. Furthermore, the international nature of the composition of the people's representatives has become more pronounced in recent decades. For example, 62 nationalities are now represented in the Ukrainian SSR Supreme Soviet, but the figure was 42 at the beginning of the 1960's.

The Communist Party is certain that the federated structure of our state has proved to be completely effective, but it also believes that the possibilities of federation and autonomy are far from exhausted. In particular, federation and autonomy play a significant role in the equalization of nationalities and ethnic groups, in the balanced coordination of their national and international interests and in the further unification of large and small ethnic groups.

The party has constantly tried to improve the system of national people's government. In this area, CPSU policy is made with a view to the intensive internationalization of all spheres of life in the society and each of the nationalities making up this society.

Considerable advances are still being made in the development of NATIONAL CULTURES. There are now 77 national artistic cultures, and around 15 of them came into being in the last two decades. Newspapers are published in 55 languages, magazines are published in 46, radio and television programs are broadcasted in 67 and books and brochures are printed in 62. In the Dagestan ASSR, where the population consists of more than 60 nationalities, fiction is published in 9 languages, newspapers and magazines in 11, and radio programs are broadcasted in 11.

The most important aspect of the national life of each ethnic group is the native-language instruction of the younger generation in the schools. For example, instruction in the RSFSR schools is conducted in 49 national

languages. Furthermore, in addition to the language of the native group, other languages spoken by the population are widely used in each republic. For example, instruction is conducted in five languages in the schools of the Ukraine (Ukrainian, Russian, Moldavian, Hungarian and Polish), six languages in Georgia (Georgian, Russian, Abkhaz, Osetian, Armenian and Azerbaijani) and seven languages in the Kirghiz SSR (Kirghiz, Russian, Uzbek, Tajik, Dungan, Uighur and German). There are many schools in which the instruction is conducted in two, three, four or more languages.

Mastering the richness of the native language is an important part of the life of each nationality and ethnic group. What is more, Uzbek writer K. Yashen believes that his native language has been enriched perceptibly by its contact with other languages. The written languages of some nationalities are being updated and new primers are being edited and published in the Yevenki, Mansi, Chukotsk, Koryak, Eskimo and other languages.

The great Goethe said that the ideals of a writer who wrote only for his own people were "small and meager," and Latvian classic R. Blaumanis dreamed of a time when his native literature would spread beyond the boundaries of his homeland. Socialism has made this possible: The best works in Latvian literature have been translated into more than 50 USSR and world languages during the years of Soviet rule, and the Estonian classics have been translated into 48 languages. Around 500 original works by local writers and approximately 300 translations of works by fraternal nationalities of the USSR were published in Moldavia between 1976 and 1980.

Two of the particularly important processes of cultural contacts in general are mutual influence and mutual enrichment, which have strengthened the fraternal ties and cooperation of ethnic groups with the Russian socialist nationality. The Russian language, which is justifiably regarded as the common property of the entire Soviet population, has played a particularly important role in the unification of the nationalities of the USSR and in the development of their sense of belonging to a single community. Under the conditions of the complete equality and free development of all national languages, the Russian language has become an expression of their unity and cooperation and a common medium of communication. It is now spoken fluently by 82 percent of the union population, and one-fourth of all non-Russian schoolchildren have been enrolled by their parents in schools where classes are taught in Russian. The further free and thorough development of the national languages of the USSR and the simultaneous enhancement of the role of the new historic community's international language represent a natural law of our life.

As the development of each of our ethnic groups has increased in intensity, its need to cooperate with other nationalities has grown more pronounced and their convergence has been more apparent. Ukrainian writer P. Zagrebel'nyy made the following astute statement about this: "We have everything in common and everything is native to all of us--our everyday life, our holidays, our concerns, our problems and our triumphs. Everything unites us because we are one big, talented and multinational family."

We should not assume, however, that we have no unsolved problems in this area of our social life. "The dynamics of the development of a large multinational state like ours," the CPSU Central Committee stated in the accountability report to the 26th party congress, "give rise to many problems deserving the party's attention."<sup>6</sup> The decisions of the 26th CPSU Congress provide an example of a truly creative approach to the disclosure and resolution of these problems.

The congress attached particular importance to the further reinforcement of the unity of the Soviet society and friendship and fraternity among peoples. Mobilizing them for new feats, the party stressed the increasing significance of their joint labor, cooperation and mutual assistance. In particular, the congress underscored the importance of such areas of cooperation as the joint exploitation of the natural resources of Siberia and the Far East and the development of the RSFSR Nonchernozem Zone.

The congress pointed out the need to step up the training of native skilled workers in republics where population growth is most intensive and where there is a surplus of labor resources, particularly among rural youth. The measures that have been planned will make it possible to take a new step in the development of the productive forces of all republics and will further augment the role of local working class personnel in the progress of each nationality. At the same time, the training of these personnel as the main productive force of each republic will help to increase its contribution to the common cause of nationwide development, including active participation in the most important new construction projects and the settlement of new territories, which will ultimately promote the further convergence of nationalities and ethnic groups.

The 26th CPSU Congress pointed out the need to satisfy the demands of the non-native population of union and autonomous republics. Above all, this means the equal right of all ethnic groups and workers of various nationalities to the proper representation in republic party and government organs, and obviously with total consideration for the labor, ideological and moral qualities of each individual. This also means that the non-native segments of republic populations have their own specific needs with regard to language, culture and lifestyle. Around 50 million members of nationalities and ethnic groups with some form of national government live outside the jurisdiction of these bodies, and for the majority this is something that dates back several generations.

Congress speakers stressed that the national feelings and pride of each individual are respected in our country: "The CPSU has fought, and will always continue its resolute fight, against phenomena alien to the nature of socialism, such as chauvinism or nationalism, and against all types of nationalistic extremes, such as anti-Semitism or Zionism."<sup>7</sup> Noting that although the party opposes attempts to eradicate national differences artificially, the CPSU Central Committee stated that it is equally opposed to their artificial exaggeration. It is the sacred duty of the party, the accountability report said, to instill workers with the spirit of Soviet patriotism and socialist internationalism and make them proud to be part of their single great Soviet homeland.

The decisions of the 26th CPSU Congress provided an example of truly Leninist, Internationalist concern for the consistent observance of the standards of socialist democracy, the establishment of the necessary conditions for the all-round development of all ethnic groups--large and small, native and non-native--and for the reinforcement of their indestructible unity.

The advantages of socialism in comparison to capitalism in the sphere of ethnic relations can be traced most cogently and clearly in a comparative analysis of the ethnic policy of the CPSU and Soviet State and the policy of U.S. ruling circles on nationalities. We feel that this kind of comparison is valid for several reasons. The Soviet Union and the United States are the largest multinational powers today. They occupy leading positions among the socialist and capitalist states and they are regarded as the personification of diametrically opposed principles of social organization and ways of life.

The most important indicators of the nature and directions of improvement in ethnic relations within a society are the levels of economic, sociopolitical and spiritual development attained by the ethnic groups making up the society and the nature of their interrelations. When the developmental levels of ethnic relations in the USSR and United States are compared in terms of these indicators, socialism appears to be indisputably superior to capitalism. Our country, within a much shorter period of time, has solved major problems in the interrelations of nationalities, reaching a level which the American state has not even approached in its 200-year history.<sup>8</sup> Whatever sphere of U.S. social life we examine, we will see a clear tendency toward the relegation of racial and ethnic minorities to positions of secondary and tertiary importance.

For example, in the key area of societal relations, the economy, these minorities play a negligible role in the United States. While all of the Soviet peoples, united by public ownership of the means of production, have participated equally in the management of the socialist economy, the oppressed masses of the racial and ethnic minorities in the United States have been isolated, to an even greater extent than most members of the ethnic majority, from the administration of the nation's economic development. This can also be judged from the position occupied by ethnic minorities among owners of the means of production.

The bourgeois members of ethnic minorities lag far behind the majority bourgeoisie in terms of all major indicators. The ethnic bourgeoisie is small, less powerful in financial relations, less independent and less influential politically. An official U.S. Communist Party document notes that less than 1 percent of the blacks in the United States "have sufficient means to be categorized as capitalists."<sup>9</sup> On the whole, only 5.7 percent of all U.S. firms belong to members of the racial and ethnic minorities which constitute more than 20 percent of the national population.<sup>10</sup> Researchers have calculated that if all negro businesses were united in one big corporation, it would rank 294th among the largest U.S. monopolies.

The infringement of minority interests occurs not only as a result of the ruin of small private businesses, but also as a result of encroachments upon

the communal property of the native population, especially the American Indians and Eskimos. This tendency has been particularly pronounced in recent years in connection with the accumulation of signs of crisis in the capitalist economy. J. Pittman, member of the Communist Party, USA, leadership, had this to say about the matter: "The search for sources of energy led to the start of a new war against the native Americans in order to force people to leave their lands and turn them over to the monopolies. The American Indians and the natives of Alaska are fighting for survival. They have become the victims of unrestrained exploitation, the theft of their lands by the United States, colossal unemployment and extreme social and economic privations."<sup>11</sup> According to some data, 30 percent of all known deposits of coal, oil and gas and 90 percent of all raw materials containing uranium are located on Indian reservations. The American monopolies derived 4 billion dollars in profits from the exploitation of these natural resources just between 1975 and 1980, while the Indians received virtually nothing.<sup>12</sup>

Most of the members of racial and ethnic minorities are proletarian. Around 90 percent of the blacks in the country belong to the working class.<sup>13</sup> These are workers in industry, construction, transportation and agriculture and the overwhelming majority of service personnel, salesclerks and office workers (this category accounts for just over 80 percent among whites); there are only two-thirds as many black skilled workers as white workers of this category but one and a half times as many black semiskilled and unskilled workers.<sup>14</sup>

The superexploitation of oppressed nationalities through discrimination against minorities in all spheres of social life serves the dominant class as a major source of additional income. General Secretary G. Hall of the Communist Party, USA, commented that the profits derived by U.S. monopoly capital just as a result of the "savings" in lower wages paid to blacks, Puerto Ricans, Chicanos and Indians have totaled 100 billion dollars a year.<sup>15</sup> The political benefits derived by ruling circles from the division of the nation's laboring public into racial and ethnic groups would be difficult to calculate.

The natural result of the superexploitation and superrobbery of this segment of the working public is its low income. According to official statistics for 1979, the income of the average black family is equivalent to only 60.2 percent of the average income of white families, and the figure for Americans of Latin American origin is 68.4 percent.<sup>16</sup> The income of the inhabitants of Indian reservations is only one-fourth or one-fifth of the national average. Furthermore, minority families are larger than the families of the ethnic majority. It is indicative that the average annual income of the black family was equivalent to 63.6 percent of the white income in 1970. In other words, the economic status of the black population has grown worse. The lower income of minorities is the reason for their low standard of living and the low level of all the social indicators reflecting public welfare. For example, minorities have a much higher percentage of people living "below the poverty level" than the majority (among Spanish-speaking Americans there are 2.5 times as many poor people and among blacks there are more than 3.5 times as many).<sup>17</sup> Indian organizations have classified half of the U.S. Indians as persons whose standard of living falls below the official "poverty threshold."

The status of minorities in the labor market is colored primarily by the discrimination to which this segment of the working public is subjected in various spheres of social life. Unemployment, capitalism's constant companion, affects them first and most. Among the blacks, for example, it is always two or more times as high as among white Americans. What is more, the absolute level has displayed a clear tendency toward a rise in connection with the accumulation of signs of crisis in the economy: from 5-6 percent in the 1950's to 13 percent in the 1980's.<sup>18</sup> It is mainly as a result of mass unemployment and production slumps that the percentage of economically active minority members is constantly decreasing.<sup>19</sup>

Mass unemployment radically undermines the very existence of ethnic and racial minorities by depriving millions of families of the elementary material conditions of a normal life. Virtually all of the natural processes of life are disrupted. For example, continuous migration by the youngest, primarily male, segment of the population in search of work constantly changes the age and sex ratios within minorities and thereby affects the normal process of population reproduction.

The high percentage of unemployed people and, consequently, the large number of people with a low income naturally have an adverse effect on the health, education and cultural development of minorities. The permanent state of unemployment which is characteristic of many members of oppressed minorities restricts their environment, contributes to social isolation and limits opportunities for communication and personal development. Involuntary unemployment promotes the development of apathy, pessimism and fatalism and the cultivation of an inferiority complex.

As for interracial relations, there is no question that fierce competition in the labor market increases friction in relations between minorities and the ethnic majority. At a time of high unemployment, all of this tends to make racist, chauvinist and nationalist elements more active, and the ruling class is energetically taking advantage of this in order to stir up racial hatred and strife.

The position of minorities in the labor market is closely connected with their health. Unemployment, discriminatory hiring practices and the merciless exploitation of minorities in production naturally have an extremely deleterious effect in this respect. Black workers have "a better chance" than whites to suffer an accident or occupational disease--37 percent better; they are 20 percent more likely to have a fatal accident on the job or to die from one of these "earned" diseases, and they are 50 percent more likely to become disabled by industrial accidents or occupational diseases. The percentage of blacks suffering from high blood pressure is more than 1.5 times as high as among whites. In the coal-tar chemical industry, where 80-90 percent of the laborers are blacks and Puerto Ricans, the cancer rate is 15 times as high as the national average.<sup>20</sup>

As of 1978 the rate of child mortality was twice as high among blacks as among whites and the rate of infant mortality was more than 3.5 times as high. Furthermore, this gap has stayed virtually the same for three decades. Child

mortality in Chicano families is twice as high as the national average; 32.2 out of every 1,000 children born on Indian reservations die before their first birthday. At the end of the 1970's black Americans died 5 years earlier than whites on the average, and the lifespan of Indians was one-third shorter than the lifespan of the "average statistical" American.<sup>21</sup> One of the extreme

One of the extreme symptoms of the defects of capitalist urbanization is the problem of the ghettos--urban slums which are completely unknown to socialism. Ghettos--that is, territorially isolated regions with racially or ethnically homogeneous populations, the appropriate establishments and institutions serving these ethnic groups, the corresponding subcultures, etc.--now exist in virtually every large American city. In addition to creating extremely adverse and overcrowded living conditions, a high crime rate and isolation from the outside world, concentration in the ghettos also results in racial and ethnic alienation and establishes favorable conditions for the cultivation of enmity and hatred for other groups.

One of the results of this combination of unfavorable factors connected with the low level of material well-being and discrimination against minorities is the disintegration of the family unit. The characteristic collapse of family foundations in the capitalist society and the disintegration of the family as the primary societal link, which represents, incidentally, the chief guardian of ethnic customs and traditions, have acquired literally catastrophic dimensions among minorities. The percentage of illegitimate children is 5.5 times as high among blacks as among whites. In comparison to white women, twice as many black women have never been married, 1.3 times as many are widows and 1.5 times as many are divorced. There are three times as many black families with a female head of household and 3.5 times as many children being raised in broken homes, which naturally has a negative effect on their upbringing. The entire process of their upbringing, particularly with respect to ethnic traditions, is injured greatly by the practice of taking children away from their families and placing them in foster homes of the ethnic majority or in public and charitable institutions. This happens to 25-30 percent of the Indian children in states with a large Indian population.<sup>22</sup>

This is the status of minorities in the United States in the socioeconomic sphere. All other spheres of their life are governed by the same tendencies, with the prevalence of private ownership and discrimination against minorities as the main factors.

Minorities have little representation in the upper echelons of government and the top leadership of the two bourgeois parties, Republican and Democratic. Blacks have never accounted for more than 1 percent and 4 percent respectively of the Senate and House of Representatives of the U.S. Congress, while their percentage of the population at large is around 12 percent. In spite of the intense struggle for civil rights, particularly voting rights, waged by Afro-Americans in recent decades, little more than half the blacks of voting age are registered voters in southern states like Alabama, Mississippi, North Carolina, South Carolina, Virginia, Florida and Louisiana.<sup>23</sup>

As for the personal rights and freedoms of citizens, here the ethnic minorities are far from equal to the majority, despite their formal equality.

Ample proof of this can be found in the constant persecution of civil rights activists, in the obstacles created to impede the work of black, Indian and Chicano organizations and, in particular, leftist organizations, in the activity of the Ku Klux Klan, all types of fascist groups and organizations on the extreme right, in the discrimination in various spheres of social life and in the constant violations of the sanctity of the individual, his home and his property.

Regions inhabited by ethnic minorities, especially in big cities, have turned into centers of crime, alcoholism and drug addiction as a result of the concentration of poverty in them, their crowded living conditions and their cultural deficiencies. Contrary to the constant allegations of racists and chauvinists that the crimes committed by members of minority groups injure primarily the white majority, statistics testify that the victims of the overwhelming majority of criminals are people who live on their street or block or in the same ghetto. For example, the percentage of murder victims is five times as high among blacks as among white Americans, and blacks are 1.5 or 2 times as likely as whites to become the victims of rapes, robberies, muggings, burglaries and car thefts. The high crime rate in the black ghettos of American cities is attested to by the fact that the percentage accounted for by blacks in annual arrests for various crimes is two or three times as high as the percentage of blacks in the U.S. population. Of course, when the rate of crime among minority groups is calculated, some adjustment must be made for the racism and chauvinism of the police, prosecuting agencies and the courts, which certainly engender violations of civil rights.

Members of minority groups, particularly civil rights activists, are often arrested and imprisoned on trumped-up charges, on suspicion, for petty misdemeanors. They are given harsher sentences than whites for the same crimes and they are more likely to be the victims of police brutality. The following statistic, for example, is indicative: In 1979 blacks accounted for 27.4 percent of all arrests, 35 percent of all convictions and 40 percent of all persons sentenced to death. After S. Stitt, professor of law at Florida State University, studied the state of affairs in 21 districts in the state, he concluded that a black who kills a white is five times as likely to get the death penalty as a white who kills a black, and blacks account for 45-55 percent of all the victims of police shootings.<sup>24</sup>

There is still considerable inequality, which tends to become even more pronounced at times, in educational opportunities on all levels, in vocational training and in the acquisition of cultural resources. For example, based on the criterion of the number of years spent in academic institutions, as of 1979 the average black American had 1 year less education than the average white, and the individual of Latin American origins had 2 years less education than whites; the average Indian had a 5th-grade education; furthermore, one-fifth of all blacks and one-third of all Latinos, including half of the Puerto Ricans, did not even have an 8th-grade education. There were only half or one-third as many whites in this category.<sup>25</sup>

The educational criterion of the number of years of study, however, is obviously only a formal indicator in relation to minorities because it does not

reflect the actual educational level of the colored population, which is far below the official level as a result of discrimination. Racial segregation, the separate education of white and colored Americans, actually still prevails in American education. In 1977 a U.S. congressional committee on civil rights ascertained that two-thirds of all black schoolchildren were attending schools where the majority of students were not white, and two-fifths attended schools where minorities constituted 80-100 percent of the student body.<sup>26</sup> It is no secret to anyone in the United States that millions of non-white Americans are receiving a second-rate education. The schools attended by non-whites are located in old, dilapidated buildings with obsolete and defective equipment, overcrowded classrooms, teachers with less training, and a less complete curriculum and lower students requirements than schools with a primarily white students body. By the time the ghetto student has completed secondary school, he is about 3 years behind the white students of his age.

Segregation has also continued to exist in higher education. Furthermore, it is now actually stronger than before, and many previously desegregated universities are turning into either "black" or "white" institutions. Between 1963 and 1976 alone, the number of "black" segregated higher academic institutions rose from 107 to 145, and the number of students attending them rose from 105,500 to 371,600. According to experts, not one of these institutions can provide its students with an education equivalent to that received by students of ordinary universities. As for the non-white students of non-segregated higher academic institutions, here the minority representation in the student body is only half or one-third as great as each particular racial or ethnic group's representation in the population at large. They are more likely than whites to attend 2-year colleges--that is, academic institutions which offer virtually no higher education in our sense of the term. Non-white students have only two-thirds to one-half the "representation" of whites in the main fields of science (physics, mathematics, biology and various fields of engineering) making up the forefront of technological progress.<sup>27</sup>

The spiritual development of minorities is being impeded by their inadequate educational background and by the entire system of racial discrimination and all of its derivatives. Since "the individual's real spiritual wealth depends totally on the wealth of his real relations,"<sup>28</sup> the isolation of the ghetto impedes the development of the individual's personality and the process of his social adaptation and promotes the preservation of the so-called local culture and local biases. The ghetto offers the individual very little chance of realizing his ambitions and potential and a particularly meager variety of careers, educational opportunities, recreational pastimes, etc.

The minority laborer either has very little leisure time (if he holds several jobs or has an erratic work schedule and wastes much of his time traveling to and from work and simply restoring his energy after a day of intensive activity in production), or has too much free time as a result of frequent and protracted unemployment, which leads only to the degradation of the individual. Furthermore, the best forms of recreation are not available to minorities because of their limited funds, discrimination in housing and other areas and the ostracism of minorities by wealthy population strata. Minorities provide a particularly vivid example of capital's ability to appropriate

the time needed by the individual "for education, for intellectual development, for the performance of social functions, for communication with friends and for physical and intellectual exercise."<sup>29</sup>

The tendency of the most highly educated segments of the population and skilled manpower to move out of ethnic neighborhoods, the obstacles keeping minorities from making use of educational opportunities and the failure of whole generations of youth to participate in productive labor are having a disastrous effect on the intellectual potential of non-whites and on their ability to develop culturally and spiritually at a time of rapid scientific and technical progress.

All of this testifies that the destructive effect of capitalist social relations on all aspects of life and on the very existence of minorities has grown much stronger with the development of capitalism. And this has occurred in spite of the difficult and often heroic struggle the minorities have waged in defense of their rights and interests.

In the last 2 years, ever since the Republican administration moved into the White House, the superexploitation and oppression of minorities have been more pronounced. The Reagan Administration's efforts to step up military spending by cutting allocations for social needs have primarily injured the poorest segments of the population and, consequently, primarily minorities. Many programs which were designed expressly for minorities and were the result of many years of struggle for civil rights have been cut or canceled. By the middle of 1982 the rate of unemployment among blacks rose to 18 percent. Secretary General G. Hall of the Communist Party, USA, called the current administration's actions a "revival of racism on the official level."<sup>30</sup>

An objective comparison of the results of the implementation of ethnic policy in the capitalist and socialist worlds will prove to any unbiased individual that capitalism is incapable of solving the minority problem which it has engendered, while socialism has coped successfully with this age-old problem and has thereby demonstrated its obvious superiority to a society dominated by the exploitation of some people by others, inequality and racism.

#### FOOTNOTES

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## ACADEMY OF SCIENCES CONFERENCE ON U.S. NATIONALITIES POLICY

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 12, Dec 82  
(signed to press 19 Nov 82) pp 19-20

[Text] A conference on the "International Significance of the Soviet Socialist International Experience and the Aggravation of Ethnic Relations in the United States," organized by the Academic Council of the USSR Academy of Sciences on U.S. Economic, Political and Ideological Affairs and the Academic Council of the Ukrainian SSR Academy of Sciences on the Criticism of Bourgeois Ideological Theories, was held 27-29 September 1982 in Kiev to commemorate the 60th anniversary of the USSR. It was attended by researchers from the Institute of U.S. and Canadian Studies of the USSR Academy of Sciences (ISKAN), researchers from the Institute of Social and Economic Affairs in Foreign Countries of the UkrSSR Academy of Sciences (ISEPZS) and representatives of other research and higher academic institutions in the Ukrainian capital.

Speakers discussed a broad range of issues connected with the aggravation of ethnic relations in the United States in recent decades. In particular, they discussed the evolution of U.S. government policy and doctrines in the area of ethnic relations, certain aspects of the status of ethnic and racial minorities in this country and the new methods used by bourgeois propagandists to discredit the Soviet experience in interethnic relations.

Special attention was given to the analysis of the fundamentally differing approaches to ethnic problems in the USSR and United States. Lenin's decision on the question of nationality in the USSR, as Academician A. N. Shlepakov, director of the ISEPZS, UkrSSR Academy of Sciences, noted in his report, is the opposite of the U.S. dominant class' policy of restricted formal equality, accompanied by ethnic discrimination and the excessive exploitation of racial and ethnic minorities, their forced assimilation and the harsh suppression of ethnic languages and cultures. Our country's 60 years of experience in national construction demonstrated vividly that the question of nationality cannot be solved merely by means of the declaration of the formal equality of nationalities and ethnic groups. Their actual equality in all spheres of life must be guaranteed. The exacerbation of ethnic issues in the United States in the postwar decades has provided convincing proof of capitalism's inability to solve ethnic problems on a democratic basis. The United States today is a country where around 50 million colored Americans are still experiencing racial and ethnic oppression, where some white ethnic minorities are subjected to

actual discrimination and insults and where the ideology of racism and bourgeois nationalism is flourishing.

Speakers at the conference noted that the contradictory nature of assimilation processes in the United States is particularly apparent now that class and ethnic conflicts have grown more intense in this country. An analysis of the peculiarities of these processes, as senior ISEPZS researcher V. B. Yevtukh, candidate of historical sciences, said, testifies to capitalism's inability to accomplish assimilation by any means other than force.

The peculiarities of these processes in the United States, their connection with the peculiarities of the American national consciousness, the complex interaction of ethnic and religious factors and the role of immigrant churches in these processes were discussed by senior ISKAN researcher D. Ye. Furman, candidate of historical sciences.

Speakers stressed the need to study ethnic relations in the United States from the vantage point of the changes brought about in these relations by the development of productive forces as a result of the technological revolution. Candidate of Historical Sciences K. S. Luzik noted that the contradictions of present-day state-monopoly capitalism are also intensifying contradictions in the sphere of ethnic relations: The latest methods of exploitation and discrimination against racial and ethnic minorities, which are connected in one way or another with the capitalist use of the achievements of scientific and technical progress, must be studied.

The changes in U.S. government policy as a result of the aggravation of ethnic relations were also discussed with great interest. Candidate of Historical Sciences S. A. Chervonnaya, senior ISKAN researcher, analyzed the nature and scales of the concessions made by ruling circles in this area of social life.

The perceptible growth of chauvinist tendencies in U.S. immigration policy in recent years is part of the offensive launched by the dominant class against the rights and gains of ethnic and racial minorities. The underlying cause, as junior ISEPZS researcher O. V. Shamshur demonstrated, is the radical change in the composition of immigration in the last two decades in favor of emigres from the developing countries. The campaign launched by the U.S. authorities to persecute "illegal" immigrant workers also has clearly racist overtones. These workers were chosen as targets so that the dissatisfaction of the American laboring public could be channeled in a direction convenient for ruling circles.

Speakers at the conference discussed the peculiarities of the development of bourgeois nationalism and chauvinism in the United States and revealed their historical and social prerequisites and workings. The conditions and factors promoting the rising wave of nationalism and chauvinism in the United States in recent years were analyzed by Doctor of Philosophical Sciences Yu. A. Zamoshkin, head of the ISKAN Ideology Department. He also examined the place and role of nationalism and chauvinism in the ideology, political strategy and tactics of the Reagan Administration and in statements by the leaders of contemporary American conservatism and criticized their ideas and theories.

Yu. A. Zamoshkin described the difficult struggle of the forces and movements opposing nationalism, defined their distinctive features and considered the possibilities for the development of this struggle. The important changes in the attitudes of the general American public with regard to ethnic relations were also discussed by Candidate of Historical Sciences M. M. Petrovskiy, senior ISKAN researcher.

Speakers stressed the need to study general methodological questions for a broader understanding of ethnic problems in the United States. Candidate of Philosophical Sciences E. Ya. Batalov, chief of the ISKAN Political Ideology Sector, underscored the importance of investigations of the national character and its influence on political life in the society.

Doctor of Philosophical Sciences V. V. Kosolapov, deputy director of the ISEPZS and chairman of the Academic Council of the UkSSR Academy of Sciences on the Criticism of Bourgeois Ideological Theories, reported on the council's work in connection with the preparations for the celebration of the 60th anniversary of the USSR. In particular, a long-range (5 years) scientific research plan has been drawn up for the summarization of the international socialist experience in the resolution of ethnic problems, and monographs will be written on related issues.

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## COMPARATIVE ANALYSIS OF FRG AND U.S. CONCEPTS OF 'NATIONAL SECURITY'

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 12, Dec 82 (signed to press 19 Nov 82) pp 21-33

[Article by S. Henke, researcher at the Institute of International Relations, Potsdam (GDR); passages rendered in all capital letters printed in boldface in source]

[Text] When bourgeois political scientists and politicians speak of "national security," they are referring primarily to the protection of bourgeois class interests (and certainly not the legitimate right of a nation to repulse aggression), with the preservation of the social status quo as the central objective.

The history of class confrontations in the world, particularly the increasing strength of the socialist community, the growing dimensions of sociopolitical movements within the capitalist states and the increased international influence of the newly independent countries, has been the deciding influence in the evolution of concepts of "national security" in the FRG and the United States. An important role has also been played by the subjective perception of the real dangers threatening capitalism by ruling groups in both countries, as well as their equally subjective assessment of their ability to counteract these threats.

Debates and discussions among representatives of various segments of the ruling class of each country and among advocates of the specifically American and West German approaches center around two groups of problems: the assessment of the nature and degree of actual and potential threats to the capitalist system; the determination of the optimal ratio of military to non-military means of repulsing these threats.

A common feature in the approach of bourgeois political experts to the first of these matters is a more or less consistent denial of the social nature of the challenge to the capitalist system. This general premise does not exclude, however, the possibility of differences of opinion in the area of actual policy, which are unavoidable due to the varying degrees of social friction in the different capitalist countries. For example, representatives of the U.S. political elite are more inclined than their colleagues in Western Europe to ignore the socioeconomic nature of revolutionary processes in the world and to view the confrontation between the worldwide socioeconomic

systems simply as a struggle between the two "superpowers." They interpret any success in the struggle for national and social liberation and any change in the balance of class power in the international arena in favor of social progress as a sign of overt or covert "expansionism" by the Soviet Union, which is supposedly undermining stability in the system of international relations and the "equilibrium" between East and West. In this way, they transform the objectively present--and growing--SOCIAL threat to capitalism, engendered by INTERNAL indissoluble conflicts within the system, into an EXTERNAL and generally MILITARY threat emanating from the Soviet Union and the socialist community as a whole.

In answer to the question of why people in the capitalist countries believe that their military standing has deteriorated in spite of the relatively stable East-West military balance, West German political scientist M. Goertemaker acknowledges: "The justification of military spending in the Western countries has necessitated the artificial maintenance of mistrust in the other side's intentions in order to underscore the military threat."<sup>1</sup>

Nevertheless, to heighten the effectiveness of imperialist foreign policy, bourgeois political science has had to seek ways of eliminating the real, and not imaginary, dangers threatening the interests of the imperialist states. This often gives precedence to the purely pragmatic approach, which has an increasingly perceptible effect on foreign policy theory and practice as the pressure of real factors influencing the policy of the state grows stronger.<sup>2</sup> The effects of the phenomena with which the capitalist system has been stricken, such as the economic crisis, chronic unemployment, inflation, the energy crisis and sociopolitical instability, acquire their own specific features in the differing historical conditions of each country.

It is precisely the differences in the overall impact of these factors and the severity of their symptoms--in the presence of a fundamental class consensus--that serves as the objective basis for certain differences in the approaches of U.S. and FRG political circles to the assessment of the most probable threats to the "national security" of these two countries and the conditions for the "survival" of their social systems. Other objective reasons for these differences of opinion are the specific positions of the United States and FRG in the system of international relations, differences in their internal alignment of class forces, the objective, not always coinciding, interests of the bourgeoisie in each country and, finally, the subjective perception of these interests, which is influenced by the historical experience of the ruling class, the specific features of the ideological superstructure and so forth.

I

The place, role and influence of the FRG in the system of international relations changed considerably in the 1970's.

Participation in the process of detente and the normalization of relations with the socialist countries, especially the development of broad-scale, mutually beneficial cooperation with them, allowed the FRG to escape the

clutches of the policy of fierce confrontation and become an equal participant in the search for ways of consolidating European security. The increased political authority of the FRG, which was largely a result of detente, gave it more opportunities to represent its own interests directly, without the mediation of the United States and other Western powers, both on the regional level--through participation in multilateral European conferences and negotiations (Madrid, Vienna, etc.)--and on the global level (the United Nations). The growth of its foreign policy influence was one of the main reasons for the continuous change in the inter-imperialist balance of power throughout the 1970's in favor of Western Europe, and the change in the balance of power in Western Europe in favor of the FRG.

This is how the leading West German foreign policy journal described the result of the combined effect of these two processes: "After throwing off this burden (the load of confrontation with the socialist countries--S.H.), the Federal Republic is no longer prepared to automatically comply...with American decisions of a strategic, economic and diplomatic nature. This change has also been stimulated by the fact that, in a world where economic power engenders political influence, the FRG has grown much stronger while the comparative strength of the United States has decreased noticeably."<sup>3</sup>

Indeed, the industrial potential of the FRG is now equivalent to 84 percent of the combined English and French potential and its exports are equivalent to the combined exports of these countries; in 1979 its share of the total exports of capitalist states was almost equal to the U.S. share.<sup>4</sup> The currency upheavals of recent years, primarily the artificial elevation of the dollar exchange rate, weakened the FRG financial position somewhat but it is still one of the most stable positions in the capitalist world.

The final factor determining the FRG's place in the regional and global system of international relations is its status as the second strongest military power of the capitalist world and the first among the European NATO countries. At the end of 1978 there were 495,000 soldiers in the Bundeswehr, and in relation to the national population this is twice as high as the U.S. indicator. Besides this, the Bundeswehr has 180,000 civilian personnel and 3.5 million trained reservists.<sup>5</sup> As the only army in a NATO country which is totally under the jurisdiction of the bloc command, the Bundeswehr constitutes NATO's main strike force in Europe both in terms of quantity (60 percent of all NATO personnel in Europe, 60 percent of its medium tanks and 70 percent of its nuclear weapon carriers) and in terms of quality.<sup>6</sup> This is the reason for the increasing concentration of key NATO positions within the hands of Bonn's generals, which gives them and the military-industrial circles behind them more influence in bloc decisionmaking. Although the United States is still the NATO leader, it can no longer impose strategic decisions on the bloc without Bonn's consent.<sup>7</sup>

The main result of this development has been the disappearance of absolute harmony in American-West German relations. The economic and political "rise" of the FRG in the 1970's gave it new regional and global interests, conflicting in many cases with Washington interests or policy. The objective growth of Bonn's ability to withstand Washington's pressure is the result of changes

in the bilateral balance of power (although the weaker U.S. position here is compensated for in part by the FRG's still subordinate status in the sphere of military policy), Bonn's skillful use of the total strength of the Western European "power center" and the policy of detente, which gave the FRG more freedom of action.

With a view precisely to the geostrategic position of the FRG on the border with the socialist countries and to the FRG's political, economic and military role in Western Europe, regarded by Washington in general as "the key factor in the alignment of political, economic and military forces in the world arena" and "in Soviet-American confrontation,"<sup>8</sup> former U.S. Ambassador to Bonn K. Rush described the FRG as "the arrow on the scales of the European balance of power."<sup>9</sup> In an attempt to discipline its allies who were "softened" by the years of detente, Washington is concentrating its pressure primarily on the FRG, using mainly the leverage stemming from the military alliance between the two countries and the FRG's role as the United States' chief military ally, main bridge-head and main operational base on the European continent.

## II

The substantial changes in the FRG's place and role in the system of international relations stimulated broad debates in FRG political and scientific circles, whose members tried to reassess the "national interests" of the FRG under these new conditions and, consequently, the new conditions for their protection.

Just before the "decade of detente," when West German historian W. Besson predicted the main conditions for the protection of FRG foreign policy interests in the last third of the 20th century, he reduced them to the following five "guidelines in the sphere of foreign policy and security policy":

Membership in NATO and alliance with the United States will continue to constitute the basis of FRG security;

The increased strength of Western Europe and the fact that "the United States ceased to be an invulnerable giant long ago" will motivate the FRG to cooperate more closely with its West European allies;

Cooperation with the socialist countries, especially the Soviet Union, will be an important condition for "a higher degree of independence";

"Regulated relations" with the GDR will play a similar role;

The state of relations with "Third World" countries will become one of the key issues in the "security" of the FRG and the entire West.<sup>10</sup>

Canonizing Besson's conclusions, many contemporary West German authors have noted the increase and diversification of foreign elements of FRG "national security," independent of domestic policy, and the relative decline in the influence of the "American line." On the other hand, it is precisely in this

multifactored "security policy" that some of them see a higher degree of vulnerability (in comparison to other leading powers) and the reason for the FRG's special interest in the maintenance of stability in the system of international relations.

The much greater dependence of West German domestic stability, in comparison to U.S. stability, on several foreign policy factors and, what is more, on the right combination of these factors, forces the political elite in the FRG (just as in other Western European countries) to measure the significance of international stability as a factor of "national security" in a different way from the U.S. ruling group and to take a more differentiated approach to the assessment of real threats to this stability. The concentration on military-political confrontation with the USSR (the "obsession with the Soviet Union"), which is characteristic of U.S. ruling circles today, is leading, according to the political elite of the West European countries, to a dangerously oversimplified view of the complex realities of today's world and is diverting Western attention and resources away from the resolution of genuine problems in international and national security.

"European politicians realize," American researcher R. Barnet wrote in an article entitled "American Strength and European Security" in a West German journal, "that military danger...is a remote possibility, while the states of the Old World are already encountering much more serious economic and social danger.... Anyone who wants to survive in a world full of dangers must make rational judgments about competing dangers and prepare to counteract the most serious and probable ones."<sup>11</sup> The leading expert on West German "security policy," K. Kaiser, agreed with this view, stating that "there is more danger of domestic political instability than of a military attack from the East."<sup>12</sup>

It must be said that there is an absolutely clear understanding of these priorities of the Western European (or West German) position in American political circles. A report prepared by the Congressional Research Service at the request of the Senate Committee on Foreign Relations says that the Western Europeans see a greater danger to the West "in its own economic difficulties than in the Soviet military threat."<sup>13</sup>

Against the background of propaganda exercises of an obviously speculative nature, the real problems of FRG "security policy" appear more distinct, including the problems connected with the maintenance of domestic political stability, which has been linked directly with the maintenance of the minimum of economic stability, and these problems have been declared one of the central foreign policy issues. "West Germany, which is located on the advance frontiers of the West in relation to the East, regards the success of its socioeconomic system as a vitally important part of the German concept of security,"<sup>14</sup> another report prepared for the Senate Foreign Relations Committee says.

Economic strategy and its instruments as a factor of "security policy" have also become more important to the FRG on the global level. Around 30 percent of the FRG's gross national product is accounted for by foreign trade

(10-12 percent in the United States) and it is therefore exceptionally dependent on stable imports of major types of raw materials, especially energy resources. The question of the most effective ways of reliably securing import of these resources in the present and future gives rise to serious differences between the United States and the West European countries. While the latter prefer to seek compromises with the developing countries, which are demanding the liquidation of neocolonial structures, and are hoping for the political and economic integration of the developing countries in the world capitalist economy (through various forms of associations with the EEC--the so-called Lome agreements, dialogue with the Arab countries, etc.), the United States is urging its Western European allies to accept purely "forceful" decisions, striving to expand its own military-political presence in various parts of the "Third World" and to use NATO for these purposes.

The increasing competition, engendered by the economic crisis, among the three imperialist centers--the interest rate war, the growth of protectionism, etc.--is not confined to purely economic rivalry. The United States is striving to restore its hegemony in the capitalist world and therefore views the intensification of global military and political confrontation as an opportunity to weaken its ally-rivals economically and to discipline them politically, offering its services as a "defending power" in conflicts it has provoked. The peaceful atmosphere in the Persian Gulf zone, from which Western Europe receives 60 percent of the oil it needs, does not require U.S. police presence and is just as inconsistent with U.S. plans and the regular provision of Western European countries with Soviet gas, which will make these countries less dependent on other sources of energy that are controlled by Washington. "Although the American objections have concentrated on gas shipment agreements," commented the West German journal EUROPA-ARCHIV, "they are actually based on the fear that trade with the East will influence Western Europe's assessment of the 'Soviet threat'--that is, it will make the invalidity of the main ideological pillar of U.S. claims to leadership in the capitalist part of the world obvious."<sup>15</sup>

In other words, the relaxation of political tension in various parts of the world will not please today's U.S. Administration because it will reduce its chances of forcing the Western European allies to disregard their own economic and political interests for the sake of the imaginary advantages of military protection from Washington.

For the first time in the history of the North Atlantic bloc, the political elite of the FRG has encountered the need to categorically reassess, at least on the level of theory, the value of the rigid military alliance with the United States from the standpoint of the modified "security policy" that is economically determined to a greater degree than ever before. Exposing the underlying motives of American strategy at the beginning of the 1980's, the authors of a comprehensive West German study of "the new objectives of security policy" note that the relaxation of tension between East and West "makes it increasingly difficult to defend the 1960's belief that conflicts in economic policy between Europe and the United States must be avoided in the interests of the Atlantic alliance (at the expense of Western Europe--S.H.)."<sup>16</sup>

The increasingly pronounced differences of opinion between the United States and its West European partners are most apparent in the attitudes toward the official NATO "security policy" formula: "Defense plus detente equals security." Whereas West European politicians lose no opportunity to underscore the equal importance and effectiveness of both elements of this "equation", first set forth in 1967 in the "Harmel Report," Washington officials have ostentatiously avoided any mention of the second element of this formula. Although this U.S. "deviation" has usually been criticized in veiled terms in statements by FRG Government spokesmen, in less official circles it has long been the subject of open and quite heated arguments.

At a meeting of Western military experts in Bonn in February 1982, H. Apel, then the FRG minister of defense, made the expected statements praising the supposedly "peace keeping" functions of NATO and then called upon the Western countries to "move in the direction of detente and arms limitation" in order to counteract the "real challenge to mankind" from such "peace-endangering" problems as the discrepancy in the economic levels of "North and South," "overpopulation and the depletion of raw material and energy resources." His colleague from the United States, C. Weinberger, according to the newspaper DIE ZEIT, "left no doubt that the old NATO formula of 'defense and detente'... was no longer valid to the Reagan Administration. Instead of this, it is seeking a strategy of total confrontation and expects the Europeans to support this new concept."<sup>17</sup>

The new West German Government coalition also confirmed its adherence to the "Harmel formula."<sup>18</sup>

When we discuss the increased influence of the broader approach (in comparison to the narrow militaristic one) to the interpretation of "security policy" by today's political scientists in the FRG, we should also note the substantial changes in their interpretation of the "military threat": They interpret the latter less as a real possibility of military attack by the Warsaw Pact countries than as a potential means of exerting pressure on the West European countries, to which the Soviet Union supposedly might resort in the event of the "quite possible reduction of political control and economic stability" in these countries. Furthermore, the very existence of the USSR as a strong socialist power is interpreted--despite the specific content and principles of its policy--as a potential threat to the "security" of the capitalist countries.

The purely class basis of this view is the result of the common anti-Soviet and antisocialist denominator which not only unites various segments of the bourgeoisie within the imperialist countries<sup>19</sup> but also serves, despite all of the differences between the West German (or Western European) and American approaches, as an ideological basis for the achievement of pragmatic compromises on the highest, strategic level of Western "security policy."

### III

Nowhere is the desire to make compromises and, what is more, to harmonize the policy lines of both countries to the maximum more apparent than in the FRG's

approach to questions of NATO military and military-political strategy. This is due primarily to the fact that it is precisely in the area of military co-operation that the class essence of the FRG-U.S. military alliance is most fully reflected. As a "product of American strategy" (in W. Besson's words), the FRG has more or less blindly repeated the zigzags of Washington's military-political strategy for most of its history. This is precisely the reason why there were virtually no broad discussions of national military-strategic interests in the FRG until the beginning of the 1970's. On the level of official policy, this is still true today. "It is impossible not to feel extremely amazed when you hear that the Federal Republic does not have the necessary institutional prerequisites to assess its own military and military-political position," VORWAERTS, the central organ of the SPD, stated. "In this situation the government has had to resort to the information of the American commander in chief of the NATO armed forces in Europe, who is not only a NATO leader but also a member of the American national leadership."<sup>20</sup>

Prominent physicist and public spokesman K. von Weizsaecker has done much to direct the attention of specialists and the public to the specific nature of the FRG's geostrategic position, which has engendered several fundamental discrepancies between its desire for "survival" and the NATO military doctrine. In several of his studies of the first half of the 1970's, which have become a kind of handbook for researchers, K. Weizsaecker defined the basic criteria of the FRG's geostrategic and military-strategic position. His main conclusion is that the problem of "survival" does not have a military solution and that any war in Europe, even a so-called conventional one, would be almost 100-percent certain to signify an irreparable catastrophe for West Germany due to the extremely high concentration of its population within a relatively small area. "We do not have enough of a chance...to survive a war; our only solution is to prevent it." It is precisely here, he concludes,<sup>21</sup> that the most fundamental FRG and U.S. "clash of interest" can be seen.

Analyzing the official NATO doctrine which has been in effect since 1967 ("flexible response") and its propagandistic basis--"the prevention of war by means of deterrence at all levels of escalation"--in light of this conflict, K. Weizsaecker showed that this doctrine does not eliminate the clash and even increases the danger of a military conflict in Europe. Furthermore, the strategic debates in the United States over the geographical limitation of this kind of conflict, the type of weapons to be used or the choice of targets cannot be interpreted by Western Europeans as anything other than a discussion of the method of destroying their civilization as safely as possible for Washington.

As soon as the Soviet Union acquired the appropriate means of retaliation, Professor K. Schubert from the higher academic institution of the Bundeswehr in Munich remarked, the Pentagon began searching for a theory which would make it possible to "stage" a military conflict in Europe without reaching the point of suicide for the United States. This was precisely the purpose of the intensive development of new "Eurostrategic" weapon systems in the United States in recent years (cruise missiles, Pershing-2 medium-range missiles and the neutron bomb), with the aid of which it hoped to acquire a richer "variety of flexible strategic alternatives." "The goal of this

flexibility...has always been the ability to fight a limited war,"<sup>22</sup> K. Schubert wrote, reasoning with the reader to lead him to the following conclusion: As the Pentagon approaches the attainment of this goal, the danger of a suicidal military conflict will become more imminent for the Western European countries. Because Washington does not wish to lose its exclusive control over the use of nuclear weapons and always wants to have a free hand, it is trying to put its Western European partners in the situation of hostages of its strategy.

The decision to put American troops in Western Europe in a state of combat readiness during the Arab-Israeli war of 1973 without consultations with the allies, the refusal to ratify the SALT II treaty in spite of the comments made to the Western Europeans, the adventuristic landing operation in Iran, the decision--made unilaterally but "for the entire West"--to boycott the Moscow Olympics, the announcement--also without any kind of agreement--of the start of the production of neutron weapons for Western Europe, the attempt to impose an embargo on equipment deliveries for the Siberian-West European pipeline and the attempt to even extend the ban on commercial dealings with the USSR to foreign firms producing equipment on the basis of American licenses, which contradicted the Western "general line" agreed upon in Versailles in summer 1982 with regard to trade with the socialist countries--these and other such "discrepancies" always evoke complaints about the "imperial manner" in which Washington treats its allies.

This approach, DIE ZEIT remarked, which consists in "attacking first and then considering the matter, acting first and then informing the allies and demanding solidarity, or what could more aptly be called submission, is giving Bonn, and not only Bonn, a headache."<sup>23</sup>

Many Western European leaders, including leaders of the FRG, are upset by the fact that the class (Atlantic) interest is actually identified with the American interests by Washington while few overseas politicians regard it as an aggregate, since it includes the far from identical int rests of the United States and the FRG (or Western Europe).

In connection with this, the allies are constantly faced by a dilemma: Unconditional agreement with the United States would be tantamount to giving up their own aspirations (economic, security-related, etc.) and ultimately endangering their own existence; class considerations prevent them from taking an openly anti-American position and openly admitting that the United States is disregarding their interests, particularly since perceptible pressure is still being exerted by those who continue to regard the socialist states and, to some degree, the developing countries as the main external social threat to their domestic political stability.

When we summarize the extremely contradictory tendencies displayed in the debates over the "Western European dilemma" in the FRG after December 1979, we can speak in principle about three basic approaches to the matter: the "orthodox Atlantic" approach; the search for a purely Western European concept of security, independent of U.S. nuclear guarantees; the desire for a political settlement leading to the creation of a system of "collective security" in Europe.

Although the supporters of the traditional, "ORTHODOX-ATLANTIC" concept have recently been displaced considerably in the sphere of political debate, they still hold a fairly strong position on the highest, institutionalized level of "security policy." Their reaction to the "crisis of faith" in inter-Atlantic relations has consisted in attempts to bind the Western European countries more closely to the United States as the "nuclear guarantor" of their security. They hope to "neutralize" the obviously negative effect of this kind of "cohesion" on Western Europe by buying increased participation in bloc military planning, including nuclear planning, at the cost of more active involvement in the Pentagon's militaristic undertakings.<sup>24</sup> Taking every opportunity to underscore NATO's services in coordinating the positions of its members during multilateral East-West talks (in Helsinki, Madrid, Vienna, etc.), they are insisting on the territorial and functional expansion of the bloc's sphere of action. This is rationalized by broadening the range of "threats" to Western security, which supposedly emanate from the region of the developing countries, especially the Near and Middle East, southern Africa, etc. In fact, this is an attempt to use the NATO machinery and infrastructure as an instrument of imperialist global strategy under U.S. auspices. Without insisting on the official revision of the treaty--in anticipation of difficulties--the supporters of this approach are nevertheless recommending the deployment of joint contingents of the troops of NATO countries on the southern periphery of the European continent to suppress "internal disturbances that might endanger Western interests."<sup>25</sup>

With the support of these circles, Washington has recently been able to make several moves in the direction of greater "cohesion"--that is, the subordination of the Western European NATO countries. These naturally include the well-known NATO decisions about the automatic rise in military expenditures, the West German-American agreement signed in the middle of April 1982 and envisaging far-reaching measures to strengthen the U.S. military presence in the FRG in the event of a "crisis"; the participation of Western European contingents in the "multinational forces" on the Sinai peninsula--possible a potential "embryo" of a NATO interventionist corps; participation by the FRG in the provocative U.S. naval maneuvers in April-May 1982 near the shores of Cuba and, finally, the decision to deploy new American "Eurostrategic" systems in Western Europe.

The supporters of the purely "Atlantic" concept of "security," who have mainly rallied round the CDU/CSU party bloc, are also trying, on the one hand, to subordinate the process of political and military-political integration within the EEC to the general Atlantic, or objectively pro-American, line and, on the other, to use this process to exert pressure on Washington for the purpose of winning more influence for the Western European countries in NATO decisionmaking. "Europe cannot and must not restrict itself to a secondary role in the Atlantic alliance," M. Woerner, who succeeded H. Apel as FRG minister of defense, announced just before the new coalition took power. "This is why, in the course of Europe's political unification, we must strive for the military-political cohesion of the (Western) European states and for an increase in (Western) Europe's own contribution, so that NATO can be placed on two foundations." This policy statement by M. Woerner and an article by H. D. Genscher in the fall issue of FOREIGN AFFAIRS indicate the new government's basic line in matters of "security policy."

The conceptual forerunner of the SECOND APPROACH was the plan for a European defense community, which was blocked in 1954 by the French National Assembly. The increasing awareness of the danger posed to Western Europe by the "new U.S. nuclear strategy" stimulated a lively search in this area. From the standpoint of party affiliations, THE SUPPORTERS OF THE MILITARY INTEGRATION OF WESTERN EUROPE do not fall into any single category. They employ three main arguments to substantiate their recommendations. The first is the simple conclusion that the risk engendered by rigid adherence to U.S. nuclear strategy is beginning to outweigh earned "dividends." Secondly, they postulate the need for the considerable revision of the "Atlantic community," whose pro-American structure conflicts with all of the changes that have taken place in the balance of forces on both sides of the Atlantic within the lifetime of a single generation. Thirdly, they argue that the need for this kind of reorganization stems from the FRG's interest in "preventing the birth of neutralist and nationalist tendencies which could grow out of the increasing criticism of U.S. foreign policy by Western Europeans."<sup>26</sup>

The "autonomists" ("Europeanists") are clearly envious of France's independent nuclear status and their search for concepts demonstrates their feelings. This is attested to, for example, by an interview with former FRG Chancellor H. Schmidt in the French newspaper NOUVELLE OBSERVATEUR in January 1982. West German advocates of Western European military autonomy see the solution to this "highly unsatisfactory situation" in the creation of a "European defensive alliance based on the territorial community of interests of its members."<sup>27</sup> In addition to reflecting the desire to reduce military dependence on the United States, there is no question that these plans reveal the desire, which has still not been totally overcome, of some segments of West German ruling circles to "supplement" the FRG's economic and political influence with the status of a nuclear power, even if only through the "collective" possession of this kind of potential.

In the sphere of practical policy, the growing influence of the "Europeanist" tendency has been reflected in the attempt to reinforce the activities of the Western European Union created in 1955, in the increased military-political activity of such organs as the European Parliament, the NATO European Group and its European Planning Group, and in the establishment of the European Security Institute in December 1981, which is supposed to become a center for the coordination of military and political cooperation by the Western European countries.

Objectively, however, both approaches--the "orthodox-Atlantic" and the "Europeanist"--are aimed at strengthening Western military potential and thereby undermining the existing strategic balance as the basis of international, including European, security.

All of the talk about securing the FRG's military security through a political approach, through the creation of a SYSTEM OF COLLECTIVE SECURITY in Europe, has recently evoked exceptionally spirited responses from the general public. The general growth of interest in problems of war and peace and the birth of a massive antiwar and antimissile movement were largely a surprise to the FRG ruling elite.

In response to a question about the reasons for the stronger antimilitarist feelings in general and the powerful opposition to NATO's missile "rearming," Director H. Bertram of the London Institute of Strategic Studies listed four factors: the "nuclear syndrom" (the fear of the consequences of the misuse of nuclear technology), the loss of faith in the "deterrence doctrine," anxiety about the future of the world and a "general sense of insecurity, engendered by the uncertainty of economic prospects."<sup>28</sup>

The criticism of the doctrine of "deterrence," which occupies a central position in the studies of opponents of the purely military approach to security, proceeds from the assumption that this doctrine does not serve to keep the peace and even poses a greater threat to it. If the political goal of the doctrine, as it is defined by its apologists, consists in "deterring" an attack by the other side (although it is known that the "other side"--that is, the Soviet Union--not only has no plans to attack anyone but even pledged not to use nuclear weapons first at the second special session of the UN General Assembly on Disarmament), then even from the purely logical standpoint the suicidal nature of the threatened "retaliatory measures" makes the assumption that the "enemy" will believe in their sincerity extremely illogical. The threat to resort to these measures, stated even the official Bundestag publication PARLAMENT, should "frighten the one who makes the threat as much as the recipient."<sup>29</sup> It is absurd to "save the world" by constantly threatening suicide, NEUE POLITIK remarked.<sup>30</sup>

This has resulted in a vicious circle, which can only be broken, concluded K. Voigt, SPD expert on disarmament, by means of a political approach. Since the increasing significance of the qualitative features of new weapons is complicating the conclusion and verification of agreements, "measures to build political and military confidence between East and West are growing increasingly important,"<sup>31</sup> he wrote.

Criticism of the plans to deploy new American missiles in Western Europe occupies a special place in the publications of opponents of the militaristic approach. The implementation of these plans would create additional, and qualitatively new, potential in the regional and global balance of forces. The point of departure for this criticism is the conclusion that these missiles are unnecessary from the purely military (Western European) standpoint and will even pose an additional threat to regional security, because Washington's desire to establish first (pre-emptive) strike potential against the Soviet Union in Western Europe is too obvious. For this reason, G. Wettich, prominent expert on military policy, wrote, "the measures planned by NATO...could undermine military stability in Europe."<sup>32</sup>

After assessing today's strategic realities in Western Europe and around it, representatives of the most realistic circles in FRG political science have concluded that the Soviet Union's response to the threat posed by American forward-based nuclear weapons was necessary. According to K. Mechtersheimer, the Western European governments provoked this response by supporting the American strategy of "advance frontiers" and have "thereby lost the opportunity to base their security policy on national and European interests" because they have become the victims of their own fears and are depending on "American nuclear defense."<sup>33</sup> This "defense," even in its present form, is seriously

limiting the FRG's sovereignty in the most important area of its vital interests, the Hamburg magazine NEUE POLITIK remarked in summation.<sup>34</sup>

In the complex international situation of the beginning of the 1980's, the foreign policy of the FRG in general and "security" policy in particular presented an extremely contradictory picture. The augmentation of the volume and spectrum of foreign policy interests in the 1970's turned the FRG into an active and influential participant in the global system of international relations. Furthermore, this influence grew primarily when FRG foreign policy promoted, and did not contradict, objective long-range tendencies in international affairs. The most important sign of these tendencies throughout the 1970's was the considerable lower level of confrontation in the relations between the two social systems and the ability of several leading imperialist powers to overcome the prevailing influence of the "zero sum" principle, according to which any "gain" by the other side was invariably regarded as a personal "loss."

In no other sphere of foreign affairs, FRG Foreign Minister H. D. Genscher noted, does this principle threaten such serious consequences in the nuclear age as in the sphere of "security policy." Regardless of the term that is used to define the policy of dialogue and cooperation with the other side, "the crux of the matter," he wrote, "is the simple fact that an unequivocal policy of confrontation is no longer possible in the nuclear age."<sup>35</sup>

The recognition of the existence of common interest, which make cooperation by states of opposing social systems a condition for the survival of human civilization, resulted from a number of the processes described above in the Western European countries and in the United States with varying degrees of intensity and led to considerable differences in practical policy at the beginning of the 1980's. The differing assessments of the results of the "decade of detente" revealed all the depth of the fundamental differences in the allies' approaches to the central issue in international relations--the confrontation between the two systems.

These were essentially differences of opinion about which of two strategies could more effectively stabilize capitalism as a social system under the conditions of the intensification of its general crisis: the line of tougher military-political confrontation with the socialist countries or the line of flexible adaptation to the new balance of power in the world and a search for mutually acceptable political compromises with the states of the competing social system. After experiencing the pressure of the specific factors discussed above, FRG ruling circles have been inclined in general and on the whole toward the second line, in contrast to American ruling circles.<sup>36</sup> At the same time, they have been unable to give up their traditional beliefs about the "common Atlantic future" and are still ignoring the growing threat posed by Washington's "new global strategy" to the security interests of the West German state.

"It appears that the FRG is facing decisions of cardinal importance at the beginning of the 1980's, just as it did at the beginning of the 1970's, L. I. Brezhnev said in his SPIEGEL interview. "Will it continue and develop the

line which increased the FRG's influence in European and world politics or will the capital accumulated over these years be wasted on futile and dangerous confrontations?"<sup>37</sup>

It is probable that the security of the FRG and, to a considerable extent, the fate of the world as a whole will depend on the answer to these questions.

#### FOOTNOTES

1. M. Goertemaker, "Der gebaendigte Kontinent," 1979, p 49.
2. "Doktrina Niksona" [The Nixon Doctrine], Moscow, 1972, p 27.
3. EUROPA-ARCHIV, No 23, 1979, p 722.
4. IPW-BERICHTE, No 12, 1981, p 4.
5. Ibid., p 8.
6. BLAETTER FUR DEUTSCHE UND INTERNATIONALE POLITIK, No 7, 1980, p 812.
7. In a KOLNER STADT-ANZEIGER interview, H. Schmidt said: "The North Atlantic bloc's double decision in December 1979 would never have been made without the consent of the Federal Republic. If we had refused, the consent of Holland, Belgium and Italy would not even have been the subject of discussion" (KOLNER STADT-ANZEIGER, 7 August 1980).
8. L. Martin, "Military Issues: Strategic Parity and Its Implications. Retreat from Empire?" Baltimore-London, 1973, p 158.
9. EUROPA-ARCHIV, No 13, 1970, p 302.
10. W. Besson, "Die Aussenpolitik der Bundesrepublik. Erfahrungen und Maßstabe," Munich, 1970, p 445.
11. DIE NEUE GESELLSCHAFT, 1979, No 2, p 105.
12. Ibid., p 131.
13. "NATO Today: The Alliance in Evolution," A Report to the Committee on Foreign Relations, U.S. Senate, April 1982, Washington, 1982, p 21.
14. "Crisis in the Atlantic Alliance: Origins and Implications," prepared for the Committee on Foreign Relations, U.S. Senate, by the Foreign Affairs and National Defense Division, Congressional Research Service, Library of Congress, Washington, 1982, p 15.
15. EUROPA-ARCHIV, No 2, 1982, pp 101-102.

16. "Sicherheitspolitik vor neuen Aufgaben," Bonn, 1979, pp 387-388.
17. DIE ZEIT, 19 February 1982.
18. The policy agreement of the CDU/CSU coalition, published in Bonn on 28 September 1982, says: "In its relations with Warsaw Pact states, the Federal Government will be guided by the principles of the Harmel report of 1967" (DIE WELT, 22 September 1982).
19. See, for example, the statement made by M. Woerner, minister of defense in H. Kohl's government, at the conference in Santa Barbara (California) in January 1979 (DIE NEUE GESELLSCHAFT, No 2, 1979, p 93).
20. VORWAERTS, 13 August 1981.
21. K. von Weizsaecker, "Friedenborschung--Entscheidungshilfe gegen Gewalt," Munich, 1975, p 87.
22. K. Schubert, "Aussenpolitik und Zeitgeschichte. Beilage zur Vochenzeitung," DAS PARLAMENT, Vol 10/80, 8 March 1980, p 29.
23. DIE ZEIT, 22 February 1980.
24. The stumbling block here is the fact that the "working recommendations" drafted by the NATO "Nuclear Planning Group" are not binding for the United States (DIE NEUE GESELLSCHAFT, December 1981). The provisions of the general treaty signed in 1952 are just as discriminatory for the FRG. According to this treaty, in E. Bahr's words, "even a request by the Federal Government for preliminary consultations in the event of the provision of American troops (in the FRG--S.H.) with neutron weapons might be refused" (VORWAERTS, 20 August 1981).
25. "Die Sicherheit des Westens: Neue dimensionen und Aufgaben," Bonn, 1981, pp 47, 39.
26. It is interesting that in response to this argument, which has an element of blackmail, Washington has countered by trying to frighten the Western Europeans with a return to the "Mansfield Resolution"--that is, the prospect of the withdrawal of American troops from Western Europe.
27. DIE NEUE GESELLSCHAFT, No 3, 1982, p 238.
28. DIE ZEIT, 15 January 1982.
29. Quoted by K. Schubert, Op. cit., p 29.
30. NEUE POLITIK, 15 October 1980.
31. DIE NEUE GESELLSCHAFT, No 2, 1979, p 101.

32. AUSSENPOLITIK, 4 April 1980.
33. FRANKFURTER RUNDSCHAU, 10 March 1981.
34. NEUE POLITIK, 15 October 1980, pp 17-18.
35. FOREIGN AFFAIRS, Fall 1982.
36. The depth to which an awareness of this need has penetrated the consciousness of the FRG ruling class is attested to, for example, by the fact that the CDU/CSU leaders have unequivocally supported the agreement on the construction of a gas line from Siberia to the FRG.
37. PRAVDA, 3 November 1981.

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## U.S. USES HIGH INTEREST RATES AGAINST OWN ALLIES

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[Article by M. A. Portnoy: "Interest Rates as an Instrument of U.S. Economic Policy"; passages rendered in all capital letters printed in boldface in source]

[Text] Among the complex and contradictory processes taking place in the capitalist economy in recent years, a special place is occupied by the "interest rate war" initiated by the United States. This subject has been covered widely in the Western press, it is being discussed by economists, politicians and bankers and it is being debated at international meetings of ministers and businessmen. In May 1982, for example, the matter was discussed at a conference of the OECD countries, a meeting of an IMF provisional committee and the Basel conference of central bank executives. In July 1981 it occupied an important place on the agenda of the conference of heads of state and government of the seven largest Western countries in Ottawa, and in June 1982 it caused another clash of their interests in Versailles. It was also discussed at the annual session of the IMF and IBRD in September 1982.

Therefore, the problem of interest rates is becoming one of the most urgent and pressing economic problems requiring comprehensive analysis. Let us take a look at some of the most important aspects of this phenomenon, which has been studied little to date.

### Causes and Workings

The extraordinarily high level of bank interest rates which is being sustained in the United States and has had to be observed by its partners for the last 3 years, reflects the scales and intensity of the problems in the American economy and the effects of Reagan Administration policy. The chief cause of the general rise in interest rates in the West is the dramatic deterioration of financial conditions due to the world economic crisis which began in 1980 and was still present in 1982, with the United States as its epicenter. A distinctive feature of this crisis is its occurrence under the conditions of the reorganization of the economic structure of the main capitalist countries, especially the United States. This reorganization, which demands substantial additional financial resources, on the one hand, and the huge

scales of the last crisis, comparable to the indicators of the 1974-1975 crisis, on the other, gave rise to severe tension in the monetary sphere. The periodic spurts of demand for loan capital on the part of companies experiencing financial difficulties and government financial agencies seeking to cover constantly increasing budget deficits unavoidably pushed interest rates upward. Inflation also played a part by creating chaos in the money market. Finally, it was precisely in the last 3 years that the active implementation of the recipes of monetarist theory began: Rigid monetary restrictions were first instituted in 1979 by England, and then by the United States, in order to curb inflation and "revitalize" the economy. Interest rates rose to double-digit figures. Under the Reagan Administration, for example, they went up to 20 percent and even higher in 1981.

This has been stimulated greatly by the flow of capital from the Old World to the New. To stop it, the Western European countries had to raise their interest rates to an unprecedented level (15-17 percent). In turn, this slowed down the investment process and thereby intensified the economic crisis.

The soaring interest rates in the United States quite quickly resulted in a higher dollar exchange rate, which strengthened the current administration's adherence to this instrument of economic policy even more. The fact that the high interest rates sustained by the United States are hurting the economies of the Western European countries and Japan also fits in with Washington's economic strategy because it wants to weaken its rivals.

Let us attempt to analyze the processes determining the level of interest rates. It should first be noted that there are several different types of interest rates, corresponding to different types of credit operations. Taken as a whole, they represent the economic category called the loan interest rate. Marxist political economists define it as payment for the use of financial capital, which by its economic content is often profit and ultimately becomes surplus value. This clearly indicates that in the normal economy the interest rate on loans--that is, some kind of average interest rate--should be lower than the profit norm. Under present-day state-monopoly capitalism, this level is determined by the competition between financial monopolies, the government's monetary policy, the rate of inflation, market conditions, etc. In recent years it has also been influenced by the growing commercial risk connected with the instability of the capitalist economy and such factors as the insecurity and fear aroused by the escalation of international tension and the socioeconomic contradictions of capitalism.

In recent years inflation has had the most significant effect on the dynamics of interest rates. The recognition of this fact was the reason for the widespread use of the concept of the real interest rate among American and other Western economists, which they define in the most general terms as the difference between the nominal interest rate and the rate of inflation. "Virtually all contemporary (bourgeois--N. P.) economists agree with American economist I. Fisher, who put forth this concept at the beginning of the century," France's *LE MONDE* reported, "that the nominal interest rate can legitimately be divided into two parts: the real interest rate plus compensation for inflation."<sup>1</sup> The chronic nature and huge scales of the inflation

which has become a salient feature of the capitalist economy gives the term real interest rate a definite economic meaning. At the same time, the real interest rate which is calculated by such a simple method is suitable only in the computation of the most general, "macroeconomic" ratios and tendencies.

Under the specific economic conditions of 1982 the interest rate in the United States, according to American economists themselves, is calculated in the following manner. The point of departure is the base rate of 2-3 percent, which corresponds to the historical average interest rate as a percentage of the profit derived from the functioning of all social capital. A "risk premium," consisting of several elements, is then added to the base rate. The first element reflects the solvency of the borrower and the term of the loan--that is, the usual element of risk in capitalist financial practices. For first-rate borrowers--large corporations or banks--this element is usually small. Recently, however, it grew considerably and became a significant element of bank profits. Since first-rate borrowers take out large loans, they must deal with a limited number of banks capable of offering these loans and must therefore pay high interest rates. In the United States, the interest on short-term loans to first-rate borrowers, for example, is called the "prime rate"; it is usually an indicator of the situation in this area, and a change in the prime rate brings about changes in other rates. Long-term loans (for 10-30 years) or small business loans are a different matter: Here a surcharge of 1-3 percent is added to the "base" rate because it is assumed that the risk is greater on long-term credit. This practice is particularly widespread in transactions with small borrowers because there is a greater risk in extending credit to them than to large corporations.

In the 1970's the second element of risk connected with inflation acquired considerable importance. Here the size of the surcharge is supposed to neutralize the anticipated drop in the real purchasing power of the dollar during the term of the loan--that is, this surcharge reflects the banks' assessment of the scales of current and anticipated inflation. Whereas in 1972, according to estimates in the American press, it was equivalent to slightly over 3 percent, it is now approximately 7 percent.<sup>2</sup>

With all of these elements (the "base rate" and surcharges for risk and for inflation), the interest rates on long-term loans to first-rate borrowers, according to American experts, should not have exceeded 12 percent in the middle of 1982. The interest rate on government bonds and corporate securities, which reflect the terms of long-term credit, however, was 15-17 percent at that time. These economists believe that the difference between the two indicators (4-5 percent) reflects two new elements of risk, which came into being recently but are already quite strong--insecurity and fear. The element of insecurity is connected with the lack of faith among U.S. bankers in the monetary policy of the current administration, which they believe will have to depart from the recipes of monetary theory, and the fear of bankers is aroused by its budget policy, which has led to colossal deficits. The characteristic uncertainty of the administration's monetary policy has motivated bankers to substitute a surcharge of approximately 2 percent to protect their own interests, and the fear aroused by the inflationary implications of budget deficits has also been "valued" at 2-3 percent. Obviously,

this is only a general description of the bank interest rate, but it does explain the workings of bank competition and shows how the interest rate of approximately 16 percent per annum, which prevailed in U.S. financial markets in 1981-1982, came into being.<sup>3</sup>

Now let us take a look at how the U.S. Administration's monetary policy influences the level of interest rates.

This policy is based on three elements--a change in the interest rate of the Federal Reserve System (FRS),<sup>4</sup> the direct regulation of the amount of money in circulation and a change in the commercial bank reserve norm. At the end of the 1970's the emphasis here shifted more and more from the manipulation of interest rates to the direct regulation of the amount of money in circulation. This abrupt shift has been connected with the appointment of P. Volcker, an advocate of monetary methods of combating inflation, as chairman of the FRS Board of Directors in August 1979. As the American press remarked, the essence of his strategy is simple: To deprive inflation of "fuel"--that is, money. He believes that the growth of the money mass and the volume of credit must be restricted so that this growth will not feed inflation, and that interest rates should be allowed to take shape under the influence of the situation in credit markets. When Reagan took office, Volcker was given a free hand, and the direct regulation of the amount of money in circulation and of credit was made the cornerstone of monetary policy in the United States; the regulation of commercial bank reserves was also practiced more widely. All of this regulating machinery was in such a way that the interest rate, as the most visible indicator of the nature and directions of monetary policy, is in a state of complex interaction with its other elements.

In view of all these facts, it is striking that the tendency toward rising interest rates in the United States was apparent throughout the 1970's. Whereas the FRS rate at the beginning of this period was 4.5 percent, it was already 8 percent in 1974, during the economic crisis. At the end of the 1970's the rate began to rise much more quickly. In 1980 the FRS rate was 13 percent, and in 1981 it even reached 14 percent. It is true that it dropped several times during these years, but never below 12 percent.

The FRS rate sets the lowest limit, or a foundation, as it were, for the entire edifice of interest rates in the loan market. It is understandable that commercial bank rates on loans to their clients are much higher than the FRS rate (this difference is the profit earned by commercial banks from these operations) and bank behavior is influenced by market factors and by government regulation. But if banks try to predict the impact of market factors and follow one another's lead, FRS policy could contain the same element of uncertainty which was discussed above. Previously, when the FRS operated primarily through the accounting rate, its policy was understandable to the banks; now that it is operating through the money mass, however, they do not know how the accounting rate and other interest rates will be affected by secret FRS operations. To insure themselves against unexpected results and possible losses, they raise their rates by 2-3 percentage points. As a result, the dynamics of U.S. interest rates are now distinguished not only by their high level, but also by sudden fluctuations reflecting all of the complexity of the situation in the credit market.

How have commercial bank interest rates changed recently as a result of the general causes listed above and how have these changes affected the U.S. economy?

#### Impact on the U.S. Economy and Credit System

First of all, it must be said that the rise in interest rates just before or during the initial period of economic crisis is nothing new--this is a natural reaction of the credit system to the flareup of accumulated contradictions in the economy. "In periods of crisis the demand for loan capital and interest rates reach their maximum,"<sup>5</sup> K. Marx pointed out. The elevation of rates to improve the balance of payments and the currency exchange rate is also nothing new; this was also pointed out by K. Marx.<sup>6</sup> What is new about the dynamics of interest rates in the United States and other capitalist countries is their excessively high level, the prolonged nature of the process, its connection with state economy policy and its role in the exacerbation of inter-imperialist conflicts.

Under the influence of crisis processes in the U.S. economy, the demand for credit alternately rose and fell in 1980-1982, affecting behavior in credit markets. For example, the production slump in 1980 was accompanied by a sharp rise in the demand for credit on the part of corporations experiencing financial difficulties. This resulted in a shortage of money, complicated by government monetary policy aimed at curbing inflation. All of this raised the cost of credit sharply. For example, the prime rate on short-term credit for first-rate borrowers leaped from 16 percent in November 1980 to 21.5 percent in the middle of December, and the average prime rate level at the end of 1980 and the beginning of 1981 exceeded 20 percent. Then borrower pressure in the short-term credit market was alleviated somewhat, interest rates crept downward and fell to 17.15 percent in April 1981.<sup>7</sup> The approach of a new wave of crisis again increased the demand for money, and the prime rate went up. In August 1981, when a new recession began, the prime rate was 20.5 percent. Later, as always during the course of the industrial cycle, when the production decline reached its lowest point and the situation in the credit sphere became slightly less tense, interest rates began to creep upward slowly. In October 1982, however, they were still around 12-13 percent, which specialists considered to be too high.

The abrupt rise and fall of interest rates on SHORT-TERM loans are a disrupting factor in this sphere of the credit market. The state of affairs here can be judged from the following figures. The prime rate changed 25 times during 1981 alone, and the interval between changes was sometimes only 3 or 4 days. As for the FRS, it kept its rate at 13-14 percent throughout 1981, thereby sustaining the credit fever. It was not until December 1981, when the pressure on the credit markets began to ebb, that the FRS rate was lowered to 12 percent at the insistence of all Federal Reserve banks. Between that time and the middle of 1982, the prime rate was around 15-16 percent, reflecting the insecurity in money markets with regard to economic prospects.

In the sphere of LONG-TERM credit, interest rates continued to rise for almost all of 1981 and dropped slightly only at the end of the year. American economists have noted that Reagan Administration budget policy played an

important role in this process along with the general deterioration of the economic conditions. The rapidly growing government budget deficits necessitate a search for new sources of money and, consequently, new loans, acquired through the issuance of government bonds. As a result, the U.S. Government, which had already been the largest borrower, is now competing more than ever with corporations and other borrowers in private credit markets. The need to finance growing deficits absorbs the funds at its disposal and crowds other borrowers out of the market. As a result, credit becomes more costly for everyone, including the government.

All of the loans taken out by the government in 1980 to cover the current budget deficit and to extend old bonds which were maturing totaled 123.5 billion dollars,<sup>8</sup> and in 1981 the Treasury pumped 87.3 billion dollars out of the financial market--that is, one-quarter of all its funds--just to cover the current deficit.<sup>9</sup> According to the estimates of an American weekly, in fiscal year 1982 total government loans will exceed 200 billion dollars and its share of all loans in the domestic credit market will reach the record level of 52 percent.<sup>10</sup> This indicator was calculated on the basis of a federal budget deficit of over 100 billion dollars in 1982. Considering the fact that a deficit just as large has been planned for fiscal year 1983, American specialists do not foresee any appreciable drop in interest rates. In 1981 the rates on long-term GOVERNMENT bonds exceeded 14 percent, and they exceeded 16 percent on corporate securities. In the middle of 1982 they fell slightly (by 1.5-2 percent), but this was interpreted as a temporary deviation by many financial experts. "Even the lower rates," TIME magazine commented, "are so high that no one, with the exception of the Maffia, would have dared to demand them in the past."<sup>11</sup>

Official announcements of a considerable drop in interest rates at the start of economic recovery are made in the United States from time to time. As yet, however, a slight drop has not soothed the United States' partners or the American businessmen whose interests are being injured by high bank rates. Experts from the OECD predict that the recovery in the American economy after the current crisis will take place under adverse conditions, and the related rise in the demand for credit will conflict with the rigid anti-inflationary limits of FRS monetary policy. Sluggish recovery will limit budget tax revenues, and the financing of the huge budget deficit and payment of interest on the public debt will continue to divert funds from the credit market, leaving private investors hungry. This is why the OECD experts do not believe that the period of high interest rates will end soon.<sup>12</sup>

Even Reagan publicly announced in February 1982 that the high level of interest rates--this source of constant dissatisfaction for businessmen in the United States and its partner countries--would remain high for a long time,<sup>13</sup> mainly as a result of the growth of the U.S. public debt, which already exceeds 1 trillion dollars, and the budget expenditures connected with this debt (the payment of interest, the renewal of bonds, etc.). And both of these factors, unbiased American observers pointed out, can be blamed on the unprecedented growth of military spending.

At the same time, American Government circles have not lost hope of convincing the business community and the United States' partners that interest rates will soon fall to "acceptable" levels. This hope is based on blind faith in the abovementioned concept of real interest and the conviction that the slower rise of prices will "naturally" lead to a perceptible drop in interest rates. The rise in prices did slow down in the first half of 1981 (around 6 percent in comparison to 10.3 percent in 1981). But this is probably temporary. Even D. Regan, secretary of the Treasury, said that he "could not explain why interest rates in the United States are still so high, despite the success in the reduction of the rate of inflation." It is not surprising that the business community does not believe in the government's appeals or its statements about the steady tendency toward a lower rate of inflation. At the Versailles meeting of the "big seven," D. Regan himself admitted that bank rates will not drop until the federal budget has been balanced. But this, even according to the administration itself, will not happen before 1985.

Under these conditions, bankers are keeping interest rates high to protect themselves against the losses and upheavals which could be a result of administration economic policy. Using the concept of real interest as a basis, specialists from the U.S. Department of the Treasury have concluded that the rates in the middle of 1982 were elevated by bankers to around 5 percent above the normal level as protection against inflation.

In turn, these high interest rates are complicating the economy's emergence from the crisis and slowing down the recovery process. They have an adverse effect on investment dynamics. Instead of investing capital in production, American business has preferred to invest in the financial sphere, which is now more profitable.

In the broader context, the behavior of businessmen reflects another, more complex interpretation of the concept of real interest than that of official financial experts. The main factor here is that the reaction of businessmen to the uncertain prospects of inflation under present conditions is displayed in different ways by the banks, representing creditors, and the industrial companies, representing borrowers. Fearing a new spurt of inflation, creditors are trying to keep interest rates on the double-digit level. The corporations, on the other hand, believe that if the rate of inflation stays fairly low, LONG-TERM loans at the now prevailing bank rates of 13-15 percent are much too expensive. For this reason, they prefer to make use of SHORT-TERM credit when necessary. In this way, they are pushing bank rates upward and are simultaneously "weakening their own balances," in financial terms, because the proportion accounted for by short-term loans in their credit obligations is too high.

At the end of 1981, for example, the current indebtedness of non-financial U.S. corporations was already one and a half times as great as their own capital. Furthermore, short-term obligations already accounted for 42 percent of their total debt<sup>14</sup> and continued to grow more quickly. According to the estimates of TIME magazine, the market for short-term commercial notes, where the corporations generally seek short-term credit, had turned into "a huge

and precarious mountain of debts, exceeding 164 billion dollars (83 billion in 1978)," at the beginning of 1982.<sup>15</sup>

The excessive short-term indebtedness of companies means that they constantly need more money to repay debts and to pay the interest on them. Production expansion and modernization, however, require large long-term loans. The low level of capital investments under these conditions is due not only to the shortage of financial capital, but also to the impossibility of converting short-term debts into long-term investments. High interest rates keep financial capital in the sphere of short-term credit and encourage speculative operations.

The high rates have sharply intensified the overall financial instability of companies. This, in turn, has increased the number of bankruptcies--of large firms as well as small ones. More than 17,000 bankruptcies were filed in the United States in 1981--this was a 25-year record--and over 9,000 were filed just in the first 5 months of 1982.<sup>16</sup> The companies experiencing financial troubles include large monopolies, which attests to the destructive influence of high interest rates. For example, International Harvester, one of the leading corporations in the manufacture of agricultural equipment, was on the verge of bankruptcy. Describing the effect of these rates on the investment process, TIME magazine commented that they "have become a bigger problem than inflation, and the very unpredictability of the future cost of credit has virtually paralyzed the process of decisionmaking in big and small companies."<sup>17</sup>

Therefore, the American policy on interest rates has created a vicious circle: To stimulate economic recovery, credit restrictions must be relaxed and the growth of the money mass must be accelerated, but this could lead to a new spurt of inflation and a new rise in interest rates to counteract it; if, on the other hand, the government does not support economic recovery with its monetary policy, sluggish business activity will reduce budget tax revenues and this, given the high military and other expenditures, will mean an increase in the budget deficit and the need for new loans. And this will also keep interest rates high.

#### New Object of Inter-Imperialist Conflicts

The changes in interest rates and other indicators of credit activity in the United States have a significant effect on international credit markets and the financial system of other capitalist countries. This is primarily due to the fact that the U.S. credit market far surpasses the market of any other country in terms of its dimensions, degree of diversification and other parameters. This alone means that when U.S. banks raise their rates (according to which they extend credit and according to which they pay interest on deposits), they can successfully attract foreign capital, which can thereby be used more profitably in the United States than in its own country. Here it is important to bear in mind that the international movement of capital is influenced by the correlation of real rates, and not nominal ones. As a result, even if nominal rates are the same, it is more profitable to invest capital in the country where the rate of inflation is lowest, and if this

country raises its rate the actual profitability of investments rises. It is this policy that the United States is pursuing and thereby attracting huge sums of financial capital from abroad. Illustrating this, England's FINANCIAL TIMES cited the data summarized in Table 1.

Table 1

Difference Between Levels of Real Interest on Short-Term Credit  
(3 Months), in % Points, Year-End Figures\*

<u>Years</u>	<u>U.S.-England</u>	<u>U.S.-France</u>	<u>U.S.-FRG</u>	<u>U.S.-Japan</u>
1979	- 3.30	+ 5.00	+ 1.08	+ 5.69
1980	+ 2.87	+ 7.42	+ 6.06	+ 7.82
1981	- 2.97	+ 2.28	- 2.47	+ 6.48
1982 (June)**	+ 3.00	+ 3.00	+ 2.00	+ 4.00

\* FINANCIAL TIMES, 8 February 1982.

\*\* Estimate. THE ECONOMIST, 12 June 1982, p 79.

To explain these data, we will note that the nominal rates on short-term credit (for 3 months) at the beginning of 1982 were around 15 percent in the United States, 14.5 percent in England, around 10 percent in the FRG, 14.6 percent in France, 6.4 percent in Japan and around 16 percent in the Euro-dollar market. If the rates of inflation in these countries are subtracted from these figures, we derive the real interest rates listed in the table. As we can see, in several cases they exceeded 6-7 percent. This means that, despite all of the efforts of the leading Western European countries and Japan to hold on to financial capital (and keep it from moving to the United States) by raising their own rates, the United States was able to secure an unprecedented difference between levels of real interest and the inflow of substantial capital.

Experience has shown that financial capital also seeks refuge in the United States under the influence of general instability in the capitalist system, political instability in a particular country, the escalation of international tension, which is again connected with Washington's own policy, etc. In several cases, there is also an obvious political motive. For example, big capital in France responded to the economic measures of President Mitterrand and his government by transferring funds abroad and speculating on the franc. These operations acquired such huge dimensions that Paris had to devalue the franc by 5.7 percent in June 1982 within the bounds of the European currency system. As the French press noted, the capital outflows stimulated by the higher interest rate in the United States played an important part in undermining the franc's position.

It would be impossible to determine the exact amount of capital sent overseas in the race for rate differences. Some general figures, however, indicate the scales of this process. According to data on the U.S. balance of payments, the net inflow of foreign private capital was 52.7 billion dollars in 1979,

34.8 billion in 1980 and 69.1 billion in 1981.<sup>18</sup> Much of this capital was deposited in American banks. This tendency, which stems largely from U.S. financial policy, is still apparent. American interest rates are like a powerful financial pump conveying money to the United States from other countries.

The flow of finances from Western Europe and Japan is not directed only at the United States. Much of this capital settles in the Eurocurrency market, where interest rates and, consequently, the profitability of investments, have risen considerably under the influence of U.S. monetary policy. Whereas the total volume of this international financial market, calculated in American currency, was 1.2 trillion dollars in 1979, it was 1.56 trillion in the middle of 1981. During that same period, its dollar component--that is, the proportion accounted for by Eurodollars--rose from 72 to 77 percent. This means that the volume of the Eurodollar market in the middle of 1981 exceeded 1.2 trillion dollars--that is, a volume equivalent to that of the entire Eurocurrency market 2 years before.

Through their numerous overseas branches and affiliates, American banks have a tremendous impact on the Eurocurrency market, rapidly extending the terms of U.S. credit activity to this market. A comparison of interest rates on short-term credit in the leading currencies (see Table 2) and other parameters of the Eurocurrency market indicates that the United States plays the deciding role here (considering the relative and absolute size of the Eurodollar market). Although the rates on investments in, for instance, pounds sterling are higher, the volume of these investments cannot compare to the volume and significance of Eurodollar deposits.

Table 2

Interest Rates on Short-Term Loans\* in Leading Currencies in Eurocurrency Market, %, Figures for End of Period

<u>Years</u>	<u>Dollars</u>	<u>Pound Sterling</u>	<u>FRG Marks</u>
1979	14.56	16.88	8.63
1980	17.82	14.91	9.13
1981	13.62	15.75	10.50
1982 (January)	14.81	14.56	10.19

\* Rates on 3-month notes.

FINANCIAL TIMES, 8 February 1982.

By drawing money into the Eurocurrency market, primarily in Eurodollars, the high interest rates ensure the flow of dollars into the jurisdiction of multinational corporations, particularly American firms, for which this market serves as a large source of financing for their operations and for which operations in a single currency are more convenient, particularly in the case of the dollar with its currently rising exchange rate. This means that American multinational corporations can purchase much more real value for dollars than they could during most of the 1970's.

When high interest rates attract money from other countries to the United States, the conversion of national currencies into dollars increases the demand for American currency and thereby raises the dollar exchange rate. We should recall that in fall 1979 the United States was able to stabilize and then raise the exchange rate of the dollar in relation to the currencies of its economic rivals. According to some estimates, by the middle of 1982 the dollar exchange rate was more than 35 percent higher than it had been at the beginning of 1980 in relation to the average cost of 10 other major capitalist currencies.<sup>20</sup> The Western European currencies suffered most from this. This situation is primarily the result of the high interest rates in the United States. The rise and fall of the currencies of other countries in 1980-1982 were closely connected with the feverish activity provoked by high American rates in currency exchanges.

Furthermore, the very process of the economically unjustified elevation of the dollar exchange rate was far from smooth and painless at that time; it was chaotic and it seriously injured the Western economy and currency system. At present, around 55 percent of all foreign trade transactions in the capitalist world are conducted in the U.S. currency. When its exchange rate rises, this means that other countries must pay much more than the economically sound price for imported goods paid for in dollars. This applies less to American goods (the U.S. share of world capitalist exports was 11.7 percent in 1981) than to many types of raw materials, especially petroleum. On the whole, dollar transactions accounted for more than 33 percent of all FRG imports, 29 percent of all English imports, around 29 percent of French imports and more than 50 percent of Italian imports.<sup>21</sup>

It is not surprising that a fluctuating dollar exchange rate is so expensive for many countries under these conditions. According to BUSINESS WEEK, between March 1981 and June 1982 alone, Western European and Japanese banks put a colossal sum of money into currency markets--122 billion dollars--to suppress fluctuations in currency exchange rates and to stop the high U.S. interest rates from raising the exchange rate of the dollar.<sup>22</sup> Nevertheless, Washington quite openly ignored the interests and demands of its partner-rivals to take measures to stabilize the dollar exchange rate<sup>23</sup> and lower interest rates.

The excessively high exchange rate of the dollar and high interest rates in the United States are having a contradictory effect on the country's foreign economic position. For example, the higher exchange rate of the dollar allowed the United States to purchase large sums in foreign currencies on convenient terms in order to pay off the debts it had incurred as a result of the crisis of the dollar at the end of 1979.<sup>24</sup> After acquiring money with a high exchange rate at a time of difficulty, the U.S. Government is now paying its partners back in currencies which are devalued in relation to the dollar. This maneuver was made possible largely by the impact of high interest rates.

At the same time, these rates are having an adverse effect on U.S. foreign trade. In recent years there has been an annual deficit of 25-30 billion dollars in the U.S. balance of trade, and no improvement is anticipated in

1982. One of the main reasons is the higher exchange rate of the dollar, which raises the cost of American goods in other currencies in the foreign market and thereby reduces their competitive potential. According to the estimates of several American experts, this cost the United States an increase of 14 percent in exports in 1981, and in 1982 it will absorb 30 percent of the export increments.<sup>25</sup> Under these conditions, American companies associated closely with foreign trade have an interest in a lower dollar exchange rate.

This is also what the United States' partners want. Of course, they realize that this will increase sales of American goods in their countries, but the current high interest rates have become an even greater evil for them because they slow down their economic development. The Western European countries and Japan have had to protect their currency and finances against a dollar onslaught with the aid of a restrictive monetary policy at a time of economic crisis, a time when economic recovery necessitates a "liberal" credit policy.

Washington, however, is using its interest rates to pressure its partners to adhere to the White House economic line. Representatives of Western European business circles justifiably interpret U.S. actions in the sphere of interest rates as aggression against their economic interests. Criticism of Washington by the leaders of Western European countries has grown increasingly harsh. "If the American promises to lower interest rates and stimulate (economic--M. P.) recovery are not kept," French Minister Delors warned, "I am afraid that the Europeans will resort to even greater isolationism."<sup>26</sup>

Clashes over the American policy on interest rates also occurred at the Versailles meeting of the heads of state and government of the "big seven" in June 1982. At that time, H. Schmidt, then chancellor of the FRG, openly accused the United States of pursuing a policy which was increasing unemployment and disrupting the credit system in Western Europe; other participants agreed with him. They were unable, however, to force Washington to depart from this policy. The vague statement in the final document about the need for coordinated action in the sphere of monetary policy is in no way binding. Furthermore, judging by the Versailles documents, American ruling circles tried to use the question of interest rates in their attempts to urge their partners to support the Washington policy of sanctions against the USSR and the countries of Eastern Europe. As we know, these attempts were unsuccessful.

All of this testifies that high interest rates are one element of the current expansionist policy aimed at consolidating U.S. domination of the world capitalist economy and international relations. As for the purely economic aspect of the interest rate question, the signs of crisis in the U.S. economy, inflation and huge budget deficits resulting from military expenditures and the Reagan Administration's stubborn adherence to monetarist theories of economic regulation are making the hopes of Western financiers who expect American interest rates to return to a normal level appear extremely unrealistic. At present, their instability at a time of crisis is continuing to have a negative impact on the economies of the United States and other capitalist countries and is giving rise to new conflicts in their interrelations.

FOOTNOTES

1. LE MONDE, 19 May 1982.
2. U.S. NEWS AND WORLD REPORT, 24 May 1982, p 82.
3. Ibid.
4. The FRS (the central U.S. bank) interest rate is the rate the Federal Reserve banks--members of the FRS--charge commercial (private) banks for credit. By raising or lowering this rate, the FRS complicates or facilitates the access of commercial banks to loan capital and thereby restricts or broadens their opportunities to extend credit to businessmen and other clients. A change in the FRS rate forces commercial banks to change their own rates and raise or lower the cost of credit.
5. K. Marx and F. Engels, "Works," Vol 25, pt II, p 57.
6. Ibid., p 62.
7. FEDERAL RESERVE BULLETIN, March 1982, p A26.
8. U.S. NEWS AND WORLD REPORT, 14 June 1982, p 72.
9. FEDERAL RESERVE BULLETIN, March 1982, pp 126, 130.
10. U.S. NEWS AND WORLD REPORT, 14 June 1982, p 71.
11. TIME, 8 March 1982, p 50.
12. OECD. ECONOMIC OUTLOOK, July 1982, No 31, p 74.
13. BIKI, 16 February 1982.
14. U.S. NEWS AND WORLD REPORT, 14 June 1982, p 84.
15. TIME, 8 March 1982, p 51.
16. U.S. NEWS AND WORLD REPORT, 14 June 1982, p 84.
17. TIME, 26 October 1981, p 50.
18. FEDERAL RESERVE BULLETIN, April 1982, p A54.
19. FINANCIAL TIMES, 8 February 1982.
20. U.S. NEWS AND WORLD REPORT, 21 June 1982, p 68.
21. FINANCIAL TIMES, 8 February 1982.
22. BUSINESS WEEK, 28 June 1982, p 57.

23. An article about U.S. currency problems will be printed in an upcoming issue of the journal--Editor's note.
24. JOURNAL OF COMMERCE, 20 May 1982.
25. NEWSWEEK, 28 June 1982, p 43.
26. BUSINESS WEEK, 24 May 1982, p 29.

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## FAILURE OF U.S. ANTI-PIPELINE MEASURES LAUDED

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 12, Dec 82  
(signed to press 19 Nov 82) pp 46-55

[Article by T. V. Kobushko: "Washington Against the 'Gas-Pipes' Agreement"]

[Text] Current events have once again confirmed the accuracy of the following statement from the Accountability Report of the CPSU Central Committee to the 26th Party Congress: "Inter-Imperialist Conflicts and the Struggle for Markets and Sources of Raw Material and Energy Are Growing More Intense. The Japanese and Western European Monopolies Are Competing More Successfully with American Capital."\* The stronger economies and international positions of Western Europe and Japan long ago became a kind of challenge to U.S. leadership in the Western world and a threat to the positions of American monopolies in international markets. Although the Western European states have remained within the NATO military-political bloc, where the dominant role is played by Washington, they are nevertheless pursuing an independent policy line in many areas. The economic and political measures of the United States are now more likely to arouse negative responses and objections from its allies and trade partners when their interests are directly or indirectly harmed by these measures. All of this reflects the impact of the law, discovered by V. I. Lenin, of the uneven economic and political development of capitalist countries in the era of imperialism.

Supported by their relatively strong positions, many capitalist countries are displaying less and less willingness to agree with the American Administration on matters which could injure their vital economic interests. One of these controversial issues at the end of the 1970's and the beginning of the 1980's was East-West trade, which had become quite important in the foreign economic ties of the Western European countries and Japan. The Reagan Administration, which has quite vigorously restricted trade with the socialist countries and is trying to convince its allies to do the same, is no longer able to impose its own decisions on them, as it was, for example, in 1963, when it was able to stop deliveries of large-diameter pipe from the FRG to the USSR for the construction of pipelines.

\* "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress],  
Moscow, 1981, p 20.

Nevertheless, the American attempts to undermine equitable and mutually beneficial world economic ties have continued. For example, the memorandum of the Soviet delegation at the 25th UNCTAD session in September 1982 in Geneva notes that incidents of economic discrimination against the socialist countries, instituted for political reasons by the United States, and by some of its NATO allies to some degree, have recently become more frequent. Furthermore, the White House is making every effort to shift the burden of economic war against the socialist countries to its allies, often in violation of the standards of international law.

A vivid example of this kind of American maneuver is President Reagan's stubborn attempt to undermine, at any price, the major mutually beneficial trade and economic agreement concluded by a number of Western European countries with the Soviet Union and called the "deal of the century" by the Western press because of its huge scales. A description of this "deal of the century" will aid in a better understanding of the economic and political meaning and purpose of Washington's behavior.

It encompasses an entire group of agreements on the construction of the long-distance Urenga-Pomara-Uzhgorod pipeline in the USSR with the use of imported equipment to supply several Soviet regions with gas and to ship gas to Western Europe. This pipeline, which is already being built, starts at the world's largest known natural gas deposit in Urenga, located in the north of West Siberia, between the mouths of the Ob' and Yenisey Rivers. It would be around 4,465 kilometers in length, with 145 kilometers in regions of permafrost and almost 700 kilometers in swampland. The pipeline will cross 649 rivers and 2 large mountain ranges--the Ural and Carpathian ranges. In all, 120,000 Soviet workers will participate in the construction work. They will erect 41 compressor stations and equip them with more than 120 compressors, which will send gas from Siberia to the western border of the USSR within around a hundred hours.

The pipeline is envisaged in the state 11th Five-Year Plan and will be of great value to our national economy. Above all, it will improve the energy supply of the center of the European part of the USSR. Besides this, it will ensure a savings in budget funds through the use of foreign commercial credit on a compensatory basis; it will accelerate construction work on the Urenga deposit and its exploitation; and it will produce additional currency revenues from the sale of gas abroad.

The pipeline will be of even greater value to Western Europe--traditionally a large importer of energy resources. The serious energy difficulties in the capitalist world gave rise to the real danger of a severe shortage of fuel, especially natural gas, here in the 1980's. The total shortage as a result of the depletion of reserves in traditional supplier countries could amount to 130 billion cubic meters by the year 2000. This is why the countries of this region are so interested in importing gas from the USSR. This interest also stems from the desire of the Western European states to diversify their sources of energy. All of this indicates how significant a contribution our pipeline will make to the energy supply of Western Europe. The pipeline will start operating in 1984 and will eventually deliver up to 40 billion cubic meters of

gas to Western Europe each year. Contracts for the purchase of Soviet gas have been signed with companies in the FRG, France, Italy and Switzerland. Firms in Austria, Belgium, Holland, Greece and Spain have also expressed an interest in this gas.

To ensure its construction, large-diameter pipe (1,420 millimeters), equipment for compressor stations and communication and monitoring equipment worth several billion dollars were ordered from dozens of companies in the FRG, France, Italy, Great Britain and Finland. Filling these orders will create jobs for tens of thousands of Western Europeans workers suffering from unemployment, the scales of which grew considerably during the world economic crisis of 1980-1982. To heighten the competitive potential of their own national companies, the parties to all of these agreements formed consortiums of banks in the FRG, France and Great Britain which offered and extended government-guaranteed credit either directly to the USSR or to their own companies.

The specific features of contracts concluded within the framework of the general agreement are also of interest.

The entire group of agreements is also of colossal international political significance. This is a vivid example of equitable and mutually beneficial cooperation between East and West, in which many European countries are participating. This represents the materialization of the potential of detente, as recorded in the Helsinki Final Act, reflecting the desire of people for lasting peace and the establishment of peaceful coexistence by countries with differing social structures.

Considering all of this, it would be difficult to say which of the aspects of the pipeline agreements are most frightening to the aggressive American imperialist forces opposing it--the economic or the political aspects. Official Washington criticism of this undertaking often stresses "worries" about the welfare of Western Europe and about the possibility that it might become dependent on the USSR if Moscow should use the gas shipments as an "instrument of pressure." Even the most farsighted Western Europeans, however, cannot discern this kind of instrument in the mutual advantages of this further development of international division of labor.

No, the real American motives are quite different from the officially declared ones. Above all, just as numerous American embargoes and restrictions in the past, they are directed against the interests of the Soviet economy. The White House has warned that the completion of this project with the use of Western equipment will strengthen Soviet economic potential and, consequently, its military potential. These warnings, however, do not sound very convincing. According to the calculations of Harvard University economists, for example, if the USSR had not had access to Western equipment in 1968-1973, this would have reduced its gross national product by only a fraction of 1 percent.

Washington is even more displeased by the fact that the pipeline agreements are interfering with its propaganda campaign about the mythical "Soviet threat" and that this undertaking, which will confirm the real mutual advantage

of peaceful cooperation between East and West, will refute Washington's arguments about the West's "need" to constantly spend more on weapons.

Besides this, American ruling circles are afraid that the further reinforcement of intra-European ties will have a negative effect on the U.S. ability to exert economic pressure on the allies and win new concessions from them in the political sphere. After all, it is no secret that the United States is objectively preventing the growth of the economic potential of its partners, which have been competing more actively with American companies in world commodity and capital markets, by forcing the Western European countries to increase their military expenditures and by sustaining high interest rates on bank credit which stimulate the flow of capital from these countries to the United States.

An important role is also being played by the interest of American oil, gas and coal monopolies in binding these countries to energy sources controlled by U.S. capital, particularly the coal exports which have been intensified by the United States in recent years and which are being urged on Western Europe as an alternative to Soviet natural gas.

Guided by these and some others considerations, the most reactionary circles have been waging a campaign against the pipeline agreements almost since the start of the current administration. In June 1981, 50 members of Congress, headed by Republican Senator J. Garn, send the President a letter in which they asserted that the pipeline would pose a serious threat to the security of the West and suggested a search for alternative ways of providing the United States' allies with energy. In July 1981 the House of Representatives adopted a resolution requesting the United States not to participate in the construction of the pipeline.

The most vehement opponents of the project in the administration were, in addition to Reagan, Secretary of Defense C. Weinberger, Director W. Casey of the CIA and National Security Adviser W. Clark. They made every effort, and are still trying, to distort the essence and purpose of the agreements connected with the construction of the pipeline. For example, they imply that the contracts on equipment deliveries would promote the economic development of only the USSR. Intimidating the allies by implying that the Soviet Union might be insolvent in the future, some American officials simultaneously warned them that purchases of Soviet gas would become the source of huge currency revenues and could strengthen the Soviet economy. It was as if the Western European countries would not receive substantial benefits in return. Finally, American coal was once again advertised as the "safest," although more expensive, alternative to Soviet gas.

Under the pressure of opponents of the "gas-pipes" project, in summer 1981 the Department of Commerce added a new point to the license for export of the Caterpillar firm's pipe layers, which have been shipped to the USSR for many years, prohibiting their use in the pipeline project. The people who advocated the issuance of the license were unable to have this restriction lifeted. Nevertheless, they insisted on the issuance of the license. A vote of approval was cast by the State Department, the Department of Commerce and some

congressmen, especially congressmen from the state of Illinois, where this company's plants are located. They presented logical arguments to substantiate the need to carry out the entire transaction: Difficulties in the construction of a pipeline in which the United States' allies are interested will create additional friction in NATO; any measures to limit the production of energy resources in the USSR will have an adverse effect on the balance of world energy production and consumption and will thereby create additional difficulties for the United States; pipe layers similar to the American ones can be acquired without any difficulty by the Soviet Union outside the United States (for example, from the Japanese Komatsu company); the cancellation of the transaction would result in a loss of jobs in the United States at a time of particularly high unemployment.

Despite the sound arguments of the supporters of the project and the development of Soviet-American trade and economic relations in general, the U.S. Administration chose the line of economic war against the USSR. At the end of 1981 Ronald Reagan took several measures to limit trade with the Soviet Union in response to the failure of the imperialist plans to undermine the basis of socialism in Poland. These measures included a ban on shipments of certain types of equipment and technology to the USSR, although these are items commonly traded in the world market. The ban applied to oil and gas equipment and other items for pipeline construction. Using various means of pressure, the American leadership tried to convince other NATO members to institute the same measures. It was unable to attain its strategic goal, however, of curtailing their trade with the USSR. The mutual benefits of the trade and economic relations which took shape in the 1960's and, in particular, in the 1970's on the European continent, turned out to be too great.

Under these conditions, on 19 June 1982 Ronald Reagan took new steps to intensify discrimination by imposing an embargo on exports of oil and gas equipment, produced by affiliates of American companies abroad and produced overseas according to the terms of licenses purchased from U.S. companies, to the USSR. Carrying out the President's instructions, the Department of Commerce set several new export rules. Specifically, the rules governing the exports of oil and gas equipment to the USSR now also apply to technical information (or technology) and to the products of firms owned or controlled by American companies, regardless of where these firms were founded or where they operate, as well as to some foreign goods whose manufacture is based on American technology.

The new rules expressly state that the expansion of controls over the export of oil and gas equipment to the USSR in accordance with Article 6 of the 1979 Export Regulation Act is necessary to the goals of U.S. foreign policy. They also explain that the provisions established by law (par 385.2), defining U.S. policy with regard to the European socialist states as "the encouragement of trade with all countries with which the United States has diplomatic or trade relations," do not apply to the USSR and Poland. Besides this, changes were made in this paragraph to officially record the refusal to authorize the export of any goods to the USSR for which a special (or individual) license must be issued.

Finally, the new rules have made a "significant contribution" to the extension of the generally accepted definition of state jurisdiction in international capitalist practices. In particular, they say that the definition "person

under U.S. jurisdiction" includes: any person, regardless of his current whereabouts, who is a citizen or permanent resident of the United States; any person who is actually in the United States; any corporation organized according to the laws of the United States or any U.S. state, territory, possession or district; any society, association, corporation or other organization--regardless of where it was founded or is engaging in commercial operations--owned or controlled by the persons listed above.

All of these measures by the Reagan Administration were interpreted by the United States' allies, according to the WASHINGTON POST, as "an intolerable, unfriendly action toward the Western European governments, which had clearly expressed their profound interest in the Soviet project." These measures, just as the fines instituted in the United States not long before this on imported steel from seven West European states in violation of the GATT agreements, are, in the opinion of Western European and Japanese officials, "undermining the basis of transatlantic cooperation" and represent an obvious departure from the communique of the Versailles conference of the "big seven" (June 1982). In this communique, the United States' partners made concessions to it by agreeing to include statements about "a circumspect economic approach to the USSR and the countries of Eastern Europe" and about "caution in financial relations" with them. They were assured that these concessions would motivate the United States to stop opposing the "gas-pipes" project.

This was the reason for the unprecedentedly unanimous and negative reaction of the West European governments. They unequivocally condemned the American measures. Then Chancellor of the FRG H. Schmidt declared: "Just as our European partners, we will continue the pipeline project because this is consistent with our need to diversify our sources of energy. We will not join the trade war against the Soviet Union, which could be the beginning of a new 'cold war.' By attempting to extend American legal standards to the territory of other countries, the administration in Washington is undermining the interests and sovereignty of European trading nations." The new chancellor of the FRG, H. Kohl, discussed trade with the East at his first press conference on 5 October 1982 and said that contracts would be honored and that the FRG would strive to vitalize them to the maximum. French President F. Mitterrand said that France would "reject the attempts of the Reagan Administration to involve Western Europe in an economic war against the Soviet Union." He also stressed that the United States was not honoring trade obligations taken on at the conference in Versailles. Prime Minister M. Thatcher of Great Britain said: "The question is whether a single extremely strong power can prevent the fulfillment of signed contracts. I think that this is wrong." She also accused Reagan of "wanting to export unemployment" and deliberately injuring Great Britain's economic interests.

People in Western Europe were also indignant because the American action was a flagrant violation of the standards of international law and of the sovereignty of states in this region. Even in the United States the press had to admit that the embargo is "dubious from the legal standpoint."

Nevertheless, some members of the American Administration are striving to give Washington's attempts to interfere in the foreign trade of other countries the semblance of legality. For example, J. Buckley, former undersecretary of

state, said in the Senate that the decisions on the embargo were consistent with the standards of international law, and when E. Galbraith, American ambassador to France, addressed French law students and journalists, he tried to avoid the discussion of the extraterritorial nature of these decisions by saying that the Western Europeans did not understand them.

What are the actual provisions of international law with regard to this matter?

One of its most important postulates, guaranteeing the possibility of unimpeded trade between countries, is the provision that the judicial act of a state is not of an extraterritorial nature because all states possess sovereign equality and do not have the right to interfere in one another's affairs. This principle is recorded in several fundamental international legal documents signed by the United States, including the declaration of the 25th session of the UN General Assembly in 1970 and the Final Act of the 1975 Conference on Security and Cooperation in Europe. This means that a ban like the American one can apply only to U.S. legal persons within the territory of the United States.

This means that the statement made for the purpose of extending U.S. export control to branches of U.S. companies, alleging that they "are persons under U.S. jurisdiction," is absolutely illegal. In international legal practice it is universally recognized that companies, organizations and enterprises must comply with the laws of the state in which they are located, regardless of the nationality of their controlling capital. These companies must observe the administrative, labor, tax, technical, sanitary and other standards of their host countries and can even be nationalized by a decision of the host government.

The illegality of the U.S. claims has been condemned by the governments and business communities of Western Europe, Japan and other countries. The EEC Council of Ministers stated that the U.S. decision, "made without any kind of consultation with the community, represents the extraterritorial application of American laws, which is contrary to the principles of international law, is consequently unacceptable to the community and will most probably not be recognized by the courts in the EEC countries." Speakers at a session of the Council of Europe (conference of the heads of state and government of the EEC countries) stressed that the Western trade system "will be seriously endangered by unilateral and retroactive decisions in the area of international trade, attempts to institute extraterritorial jurisdiction and measures impeding the fulfillment of existing trade contracts." The "ten" announced that the embargo "represents unacceptable interference with the autonomous trade policy of the community." They stressed that similar measures taken in the past by third countries had been rejected by the United States. President H. Friederichs of the Dresdner Bank described the American measures as a "violation of elementary legal principles." London's FINANCIAL TIMES called them "an attempt to dictate American laws outside the United States."

Reagan's attempt to prohibit the manufacture of equipment by foreign companies in accordance with earlier license agreements with American firms is an obvious violation of the standards of international law. In this connection, President

O. Wolf von Amerongen of a West German industrial trade association called the American decision highly dangerous and said that this kind of intervention would introduce uncertainty into the legal basis of commercial relations and would undermine faith in U.S. license policy.

In a note sent to the U.S. Government on 12 August by the EEC, the question of licenses to American technology is given special attention. The note says that one of the unavoidable consequences (of the American measures--T.K.) will be questions about the expediency of technological ties between European and American firms if contracts can be cancelled at any time on the orders of the American Administration. Another consequence which should be avoided is the possibility that the American attempts to attach U.S. jurisdiction to U.S. investments will impede the flow of American capital investments abroad.

A sign of the Western Europeans' increasing desire to guard themselves against American authoritarianism in the sphere of international economic cooperation is the resolution of the European Parliament that the Western European states should draw up legislation to put an end to technological dependence on the United States.

At present, however, reprehensible American practices in this area are injuring the United States' partners. If these countries were to observe Washington's "bans" on the "gas-pipes" project, 13 West European companies and 7 overseas affiliates of American firms would lose contracts totaling 1.2 billion dollars before the end of 1985.

We will cite the example of one firm to illustrate the unlawful nature of Washington's sanctions and their implications. The French company Alstom-Atlantique has signed a contract to manufacture turbines for the pipeline, using rotors and blades it produces on a license from the American General Electric Corporation. Before the sanctions, the French firm did not require any special authorization from the licensing party to ship the turbines to the USSR or any other country. According to spokesmen from Alstom-Atlantique, the WASHINGTON POST reported, the license agreement contains nothing to obligate the French side to follow the orders of the U.S. Government, especially a retroactive obligation. The possibility of the unilateral revision of a license agreement prior to its expiration is not even envisaged in world practice. If the French company were to observe the American ban, its output of this equipment and its profits would be reduced and it would have to pay a penalty to the client.

Facing the prospect of all these economic and political consequences, the Western European states condemned Washington's behavior and took certain steps to protect the interests of their companies. The government of Great Britain was the first to take decisive measures. On the basis of a 1980 English law on the protection of trade interests, the American measures were described by Lord Cockfield, secretary of state for trade, as "injurious to British trade interests," and in August 1982 the government of Great Britain instructed the four English companies which had signed contracts on the delivery of equipment for the Soviet pipeline to begin these deliveries, particularly a shipment of six rotors assembled with parts and components from the United States. The John Brown company shipped this equipment at the beginning of September.

The government of the FRG praised the English countermeasures but, as it does not have the same legislative powers, sent a letter, through the Ministry of Economics, to the West German companies participating in the project to urge them to deliver the equipment.

France took similar action. Here there was already a precedent: In 1968, when the United States tried to stop the sale of French equipment manufactured on an American license to the PRC, the De Gaulle Government rejected the extraterritorial U.S. claims and guaranteed the ability of French manufacturers to fulfill the contract. This time Paris behaved in a similar manner. President F. Mitterrand instructed national companies to ignore the American sanctions, exercising the powers invested in him by a 1959 law. The Italian Government was the next to make this move.

As for Japan, although it is not participating in the "gas-pipes" project, the American embargo has affected its interests. In particular, it affected the Soviet-Japanese Sakhalin power engineering project, in which Japanese equipment manufactured with American technology is to be used and which has been actively supported by the Japanese Government. As soon as the American sanctions had been announced, I. Okawara, Japanese ambassador to the United States, expressed displeasure with them and warned that their extension to the Sakhalin project could complicate Japanese-American relations. This was followed by an official request from Tokyo. It was denied by a U.S. Administration spokesman. Then the Japanese Government condemned Washington's decision as a violation of international law and announced that Japanese firms would not comply with the American demands.

Although no Canadian companies are participating as yet in the delivery of equipment for the pipeline, the Canadian Government interpreted these demands as a threat to its trade interests and sent Washington a note protesting the new restrictions and calling them an infringement of Canadian sovereignty in the sphere of legislation.

The extremely negative reaction of the American allies heightened the fear of many U.S. politicians that the administration's "anticommunist shortsightedness" could lead to even more serious economic disputes between NATO countries. The White House position was severely criticized by business circles, part of the Congress and some cabinet members. According to the NEW YORK TIMES, for example, W. Brock, permanent U.S. trade representative, objected to the sanctions at a "stormy" cabinet meeting in the White House. He was supported by Secretary of Commerce M. Baldrige. Even in the Congress, which had previously put forth initiatives directed against American participation in the pipeline project, the U.S. position began to be reassessed. For example, in August 1982 the House Committee on Foreign Affairs approved a bill envisaging the cancellation of sanctions and reflecting the legislators' worries about the administration's extremist line. At the end of September it was supported by a majority of the House. A similar bill was introduced in the Senate.

Ignoring all of this, the White House decided to "penalize" the Western European companies which failed to observe the American bans. When four West European companies (Creso-Loire, Dresser France, John Brown and Nuovo Pignone),

encouraged by their governments, began to ship equipment to the USSR at the end of August and the beginning of September, the President ordered a total ban on deliveries of any American goods to them and their affiliates.

These new "punitive measures" naturally heightened the opposition of the Western European states. Dresser France filed a suit. M. Thatcher announced that the English Government would compensate its firms for their possible losses.

In an attempt to soothe its partners, the United States tried to talk its allies into conducting "comprehensive" talks on East-West relations, consenting to moderate its demands with regard to the pipeline if its allies would comply with its requests for the further limitation of credit for trade with the Soviet Union and the sale of new technology to the USSR. What is this if not the old policy of blackmail in a new disguise?

However, it has been less and less effective. The United States has been unable to convince its partners to abandon the policy of detente and mutually beneficial cooperation with the Soviet Union. In spite of President Reagan's "embargo," West European firms are fulfilling their contracts with the USSR. It has become obvious that Washington's sanctions have not have any serious effect on deliveries of equipment for the Soviet pipeline and have only hurt U.S. relations with Western Europe.

To alleviate tension in the Western alliance and to simultaneously create at least the semblance of Western unity in the matter of trade strategy in relations with the USSR, Ronald Reagan had to announce the cancellation of the ban on deliveries of oil and gas equipment to the Soviet Union on 13 November. The President said that his decision was motivated by the fact that the United States has supposedly already reached an agreement with its allies on the restriction of trade with the USSR, which represents, in his words, "a victory for all the allies." In fact, the cancellation of the "embargo" represents the latest failure of Washington's attempts to dictate its own policy to other countries. In reference to Reagan's allegations about some kind of "agreement" between the United States and its allies, a spokesman for the French Ministry of External Relations said: "France, which has already declared its position on the terms of East-West trade, is not party to any agreement with the United States in connection with the cancellation of the American embargo." The FRENCH PRESS AGENCY reported that, as the French Government has repeatedly pointed out, "the embargo was instituted unilaterally by Washington and Washington therefore had to cancel it in the same unilateral manner and without any kind of preliminary negotiations."

As for the USSR, this is not the first time it has frustrated American attempts to use trade for anti-Soviet political purposes. This is clearly attested to merely by our industry's rapid mastery of the production of large-diameter pipe for the construction of pipelines in the 1960's after the West German Mannesman firm stopped delivering this pipe to the USSR on the orders of the Adenauer Government and other champions of the "cold war." The Soviet Union also has considerable experience in laying long-distance pipelines. Of the six pipelines scheduled for the current five-year plan, the first (Urengay-Gryazovets-Moscow) has already been built and is operating at projected

capacity. The linear portion of the second line (Urenga-Petrovsk) was completed ahead of schedule. The export pipeline accounts for only around 12 percent of the 20,000 kilometers of projected lines, where 356 compressor stations with a total capacity of 24 million kilowatts will be installed. The quantity of Urenga gas which will be exported is only a negligible part of the total output of this huge deposit.

Domestic equipment and technology represent the basis of the project. They include heavy-duty pipe layers from the Sterlitamak Plant, Tyumen' bog vehicles, the Sever-1 welder (U.S. and Japanese firms were once licensed to use its electrowelding method), reinforced spiral-seam pipe with a diameter of 1,420 millimeters which can withstand pressure of up to 120 atmospheres in the Far North and the powerful and economical Leningrad GTN-25 gas pumps. The highly developed economy of the USSR and the labor enthusiasm and patriotism of the Soviet people, who were enraged by the policy of the American Administration, are a reliable guarantee that all of the assignments connected with the construction of the pipeline from Siberia to Western Europe will be completed on schedule. Neither we nor our trade partners have any doubt that Western Europe will be receiving gas by the beginning of 1984, as planned. Washington will have to add another defeat to its already long list of policy failures.

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## MILITARY, INTELLIGENCE USE OF NASA GROUND STATIONS THREATENS HOST COUNTRIES

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 12, Dec 82  
(signed to press 19 Nov 82) pp 56-59

[Article by S. L. Gubarev: "Space and Politics (The Space Program as an Instrument of U.S. Policy in Relations with Developing Countries)"]

[Text] According to the draft U.S. federal budget for fiscal year 1983, the National Aeronautics and Space Administration (NASA) will be allocated 6.6 billion dollars. Besides this, the Defense Department plans to spend another 4.5 billion dollars on the military use of space by the middle of the 1980's, with most of the sum earmarked for the continuation of the space shuttle program. Of the 44 space flights scheduled in this program up to 1986, 13 will be expressly military in nature, and after this, right up to 1994, almost half of all the shuttle flights will serve Pentagon needs.\*

Plans also call for the construction of a military flight control center and launching pad on a U.S. Air Force base, from which military space objects will be put in polar orbits.

There is a direct connection between the development of the American national space program and the U.S. administration's political objectives in the international arena. Achievements in space exploration are being used more widely in foreign policy. The United States is trying to gain control over the national space program of the developed capitalist countries and all of their industries connected with space travel. As for the developing states, their desire for genuine independence and for the quicker and more effective implementation of socioeconomic programs is being countered by the U.S. administration and large American corporations with their constantly updated arsenal of neocolonial policy instruments, intended to bind them more closely to American policy on the pretext of measures to overcome economic, scientific and technical underdevelopment. The development of applied space systems, including military ones, by the United States is becoming the basis for new and better plans for the use of these countries in the attainment of U.S. political and military goals.

One of these instruments is so-called "cooperation" with the developing countries in the exploration and exploitation of mineral deposits, water

\* For a more detailed discussion, see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 3, 1979, p 85.

resources, soil structures and forests. Counting on its technical ability to find mineral deposits, map regions with favorable climatic and meteorological conditions and so forth, the United States is actively involving developing countries in joint projects for the use of space vehicles like the Landsat in the study of the natural resources of these countries. In 1980 the United States put the latest satellite of this series, the Landsat-3, in orbit. The equipment on board this satellite will give American experts important economic information pertaining to virtually all parts of the planet. Thermal radiation readings of the earth's surface, natural objects, industrial enterprises, regions of concentrated air pollution and so forth will be registered by the Landsat detectors. This information will then be transmitted through space communication channels to earth.

A center for the collection and processing of long-distance sounding data, accumulated with the aid of air and space vehicles, has been operating for several years, for example, in Sioux Falls (South Dakota). The maps compiled on the basis of long-distance sounding in NASA's Goddard Space Flight Center aid in the reliable forecasting of harvests of the main agricultural crops, the adjustment of agricultural prices, the discovery of sources of potable water, the prediction of floods and the detection of oil and other types of energy and mineral resources.

Some of these data are transmitted to other countries by the United States on a commercial basis. As a rule, these data are of little interest to the United States, but information about locations of moisture accumulation, river currents, soil structure, vegetation and so forth can be of considerable value in the agriculture and urban development of the newly independent countries. For this reason, the data at Washington's disposal, particularly information about mineral resources, have become the object of bargaining in which the governments of developing countries have had to make concessions to the United States.

With its ability to assess the natural resources and mineral wealth of various developing countries reliably and in sufficient detail, the United States can pick and choose, with a view to its own political interests, the particular states which should come under the White House's consideration and should be offered more generous financial assistance. But it is not only access to the natural wealth of foreign states through space technology that appeals to Washington.

Another side of the matter is the U.S. desire to use their territory for Intelsat stations where space flights will be monitored and meteorological and other information from space will be received.

The United States is trying to conclude agreements with the developing countries on the construction of space communication stations on their territory. These stations are used for communications with satellites and manned space vehicles, the surveillance of space objects, the receipt of information, the transmission of radio telephone conversations, time readings and the determination of orbit parameters.

As early as the 1960's the United States had already signed agreements on the locations of ground stations for the receipt of meteorological data from the

American Intelsat systems. These stations are located in Chad, Kenya, Mozambique, the Republic of Madagascar, Senegal, Sudan, Thailand, India, Burma, Indonesia and Hong Kong, as well as in South Africa and New Zealand.

In 1979 two ground stations for the receipt of Landsat sounding data began operating in Upper Volta and Kenya. Similar stations are now being built in Brazil, India, Costa Rica, Bolivia and Thailand. Local stations for the receipt of Landsat information are operating in Zaire and Egypt.

It is also significant that the United States is negotiating with France, Canada, Japan, the European Space Agency (ESA) and representatives of several other regions for the purpose of working out the optimal system for the collection and processing of Landsat information.

The number of these stations is particularly high in Africa (10) and in South and Southeast Asia (5). The reason for the choice of Africa and Southeast Asia as locations of American ground stations for space communications was not only the vast territory and convenient geographic position of these regions, which allow for the observation of manned and automatic vehicles throughout the northern hemisphere, but also the possibility of acquiring another channel (or pretext) for some kind of influence in the economies and politics of developing countries located in these parts of the world.

Some politicians believe that the presently operating stations are not enough for the United States. Plans for the construction of new stations to serve the artificial communication satellites of the Intelsat system, the number of launchings of which is increasing in East, West and Central Africa and in South and Central America, were discussed in U.S. congressional hearings in 1979. Since 1975 the United States has signed another seven bilateral agreements with Australia, the PRC, India, Japan, Thailand, Zaire and the Republic of Upper Volta on the construction of ground satellite communication stations on their territory.

According to these agreements, the stations are to be used in space experiments of a peaceful nature. Past events have shown, however, that "peaceful" and "military" experiments are often quite closely interwoven and extremely difficult to separate. Meteorological conditions are among the factors considered in projected airborne troop transfers and naval ship movements. Weather conditions are extremely important in the planning of military operations in the particular parts of the world where Washington does not exclude the possibility of a show of its military strength or the start of armed conflicts. This is precisely why Africa and Southeast Asia are designated in U.S. plans as an important bridgehead in the attainment of several of the Pentagon's military-strategic goals, including the support of all types of space communications and reconnaissance, as well as global espionage from outer space.

Strategic reconnaissance from outer space is of considerable interest to Washington under the conditions of the explosive political situation in Africa. According to former U.S. Secretary of the Air Force H. Mark, the significance of cosmic means of reconnaissance has increased substantially. "The United

States depends more on space systems because...it has to know what its adversaries are doing throughout the world." The active efforts of the United States to use means of space reconnaissance also stem from the fact that in the last few years it has lost access to such countries as Afghanistan, Ethiopia, Iran and Angola. With the aid of satellites in high orbits (36,000 kilometers), the numbers and routes of troop and materiel movements in various countries can be determined with a high degree of accuracy. This information becomes valuable intelligence for conflicting sides and can be used in bargaining for political concessions from the states interested in these data. With the aid of this information, the United States incites hostile actions against the developing countries.

South Africa is an important link of the U.S. system of military space communications. This racist state not only supports the aggressive foreign policy of the Reagan Administration but is also aiding the United States in every way possible in various military space experiments. American agencies are still using stations which were built in South Africa and are operating actively there for reconnaissance and communications with space vehicles. These stations are used for the optical and radar tracking of artificial satellites and for experiments in planetary studies using unmanned space vehicles. Another station in South Africa is a monitoring point for ballistic missiles launched from the East Coast of the United States.

The plans of the U.S. political leadership to escalate the arms race and to gain unilateral advantages have not overlooked the national space program, in which a trend toward further militarization has been increasingly apparent in recent years. Former Secretary of the Air Force H. Mark, who had previously been a NASA administrator for more than 8 years, announced that the Pentagon now regards space as something like a new natural region where various weapon systems can be deployed. "Now it is completely obvious, and this has been stressed repeatedly, that the United States has resolved to develop equipment capable of being used in military operations in outer space," he said. "The time has come to give priority to the program for the creation of armed forces in space.... We are no longer wondering whether we will have space tanks, space pill-boxes, space artillery and space patrols. The question now is when...will we have them."

The militaristic hysteria which has seized U.S. government circles could turn space into a sphere of dangerous military confrontation. Washington's efforts to increase tension in the world and escalate the arms race could lead to total destruction. These efforts are the opposite of the consistent foreign policy line of the Soviet Union and socialist states, which is supported by all peace-loving forces in the world--the line of improving the international climate, curbing the arms race, reducing the danger of war, establishing the principle of peaceful coexistence by states with differing social systems and developing peaceful cooperation among states in the most diverse areas, including the exploration of outer space.

"I would like to stress," L. I. Brezhnev said, "that the Soviet Union has always been a confirmed advocate of effective international cooperation in space. May the boundless ocean of space always be free and clear of weapons of all types. We are in favor of concerted effort to attain a great and humane goal--the prevention of the militarization of outer space."

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## AMERICAN BIOGRAPHY OF RONALD REAGAN REVIEWED

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(signed to press 19 Nov 82) pp 91-92

[Review by I. I. Kul'kov of book "Ronald Reagan. His Life and Rise to the Presidency" by Bill Boyarskiy, New York, Random House, Inc., 1981, 205 pages]

[Text] The author of this book is a well-known journalist from California. He was one of the reporters who covered Reagan's campaign. In 1968 his first book about the current President, "The Rise of Ronald Reagan," was published.

In this new work the author tries to show what kind of man Reagan is, what his views are, how they were influenced, who his closest advisers are, how the President uses his power and what kind of political philosophy lies at the basis of his domestic and foreign policy decisions.

The author states that he is striving for a strict "balance" by showing the "dark and light" sides of Reagan's personality. He describes his childhood years in glowing terms but notes that Reagan did not distinguish himself in college. "By the standards of today's great universities, he would be called undereducated. By his own admission, he did not take advantage of even the limited opportunities open to him" (p 42). The main thing for Ronald Reagan was the acquisition of wisdom, the author stresses, and not knowledge. He began to acquire this wisdom after he graduated from college and went to work as a radio announcer in Des Moines, Iowa, where he also perfected his speaking ability. But in Hollywood Reagan never displayed anything more than average acting ability.

During his Hollywood years, Boyarsky recalls, Reagan was a member of the Democratic Party and defined himself as no less than a "great liberal." This is, of course, an exaggeration, the author points out. Reagan was a union leader but he was never a participant in any movement that was even the slightest bit radical (p 58). In corroboration of this, the author cites this fact: When 500 Hollywood actors, script writers and producers protested the "witch hunt" launched in Hollywood by the House Un-American Activities Committee in 1947, Reagan "expressed deep concern about the communist danger, supported the committee investigation and appeared as a friendly witness" (p 59).

The author feels that Reagan's political views were greatly influenced by his 8 years as host of a half-hour television program sponsored by the huge

General Electric corporation. The years he worked for General Electric and the land he bought north of Los Angeles made Reagan rich; he made his way in the world, so to speak (p 33).

In 1964 Reagan began working as the host of a weekly television program sponsored by the United States Borax Company and he simultaneously became active in the Republican Party, which he had joined in 1962. In his political career, Reagan won the backing of some rich Republican Goldwater supporters, who fully appreciated his consistently conservative views. Even in the very last days of Goldwater's campaign for the presidency in 1964, when it was clear that defeat was inevitable, Reagan made a televised speech praising Goldwater. This speech did not escape notice and was highly appreciated by conservative circles in the country. It was precisely after this speech that Reagan was seriously viewed as a possible candidate for governor of California. Two extremely wealthy Californians--Holmes Tuttle, automobile magnate, and Henry Salvatori, oil developer--played a special role in Reagan's subsequent career (p 82).

After becoming governor of the state of California with their assistance, Reagan, backed up by a group of advisers and aides who shared his views, did everything to implement his conservative ideas. It was at this time, the author says, that his strength of character was displayed: He remained true to these ideas during the 8 years he was governor. It is true that Reagan often had to compromise with the state legislature, which was controlled by Democrats during most of his term in office. He had to abandon some of his toughest demands for cuts in social programs and agree to raise corporate taxes, but afterward he used every means at his disposal to return some of the lost profits to the "offended" corporations (p 10).

The author believes that Reagan's ease before the television camera played an important role, along with his conservative views, in his victory in the 1980 election (p 18). During his televised debate with President Carter in 1980, Ronald Reagan impressed the American voter with his "determination" and proved that he could win an argument. It was this impression, broadcasted throughout the country, that played an important role, in the author's opinion, in the success of his campaign.

But a more important--and, according to the author, even the most important--factor contributing to Reagan's nomination and subsequent victory in the election was his energetic struggle against social programs. Reagan was able, at least temporarily, to convince the voters that these programs have an adverse effect on the American economy and discourage free enterprise. He was able to convince Republicans in other states that he was not simply an actor, but a man capable of understanding the complexities of economics and politics (p 131). It is therefore not surprising that the proposed cuts in social expenditures were among Reagan's first actions as President.

Describing Reagan's style of work in the presidency, the author writes that Reagan, unlike his predecessors, is not a "tough boss" and acts in a "much different manner" from Kennedy's activism, Johnson's attention to detail and drive and Nixon's vindictiveness and intensity; he has also not displayed

Carter's characteristic "maniacal desire" to become personally involved in everything, even the most insignificant matters. Reagan is more like a "relaxed chairman of the board," placing complete faith in subordinates "to whom he has delegated total authority," Boyarsky writes. Proposals seem to come from below, and not personally from Reagan. An even more specific remark by E. Meese, Reagan's chief counsellor, is quoted in the book: Reagan "looked for people who had ideas and he acted on these ideas as soon as he learned what they were" (p 108). Meese, incidentally, cannot recall a single specific idea contributed by Reagan. The opinions of trusted, unofficial advisers, the author says, have always been the most important part of Reagan's decision making. At the start of his presidency, an important role was played by the so-called "kitchen cabinet," consisting of financial magnates who supported Reagan and whose advice Reagan respected and often followed (p 109). This, the author suggests, might have been the main reason for his victory in the 1980 election.

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## BOOK DECRYING DECLINE OF PRESIDENTIAL CONTROL OF FOREIGN POLICY REVIEWED

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(signed to press 19 Nov 82) pp 97-99

[Review by Ye. M. Silayeva of book "Congress, the Presidency and American Foreign Policy," edited by John Spanier and Joseph Nogee, Elmsford, Pergamon Press, 1981, XXXV + 211 pages]

[Text] American political scientists have displayed considerable interest in problems connected with the "confrontation" between the President and the Congress, in which the scales alternately tip in favor of each. The works of many American authors at the beginning of the 1980's clearly indicated nostalgia for strong presidential authority. These authors regret the decline of presidential power as a result of the failure of the Vietnam adventure, the Watergate scandal, other sensational exposures and the increased activity of Congress.

These authors stress that only the executive branch can guarantee effective government, and that the legislative branch should make the transition to a "loyal partnership" with the White House for the sake of the "national interest."

The subject of this review is fully in line with the rest of these new works. The foreign policy activity of the Congress during the 1970's is examined in detail. The central thesis of the book is the following: "The presidency is the only element of the American Government which is capable of assessing the total situation and setting foreign and domestic policy priorities" (p XXV). "There is some worry that the attempts to limit the 'imperial' presidency on the wave of the Vietnam events went too far and endangered the executive branch. A strong presidency is essential in the conduct of a foreign policy which defends the national security and well-being of the United States" (p XXVIII).

The book was written by a group of authors and edited by J. Spanier, professor of political science at the University of Florida, and J. Nogee, professor at the University of Houston, who also wrote the introduction and conclusion. The book contains chapters on the history of the Panama Canal Treaty and the struggle in Congress over the economic sanctions against the racist regime of South Africa and the embargo on shipments of American weapons to Turkey.

The sections on Soviet-American relations are particularly interesting, especially those on the adoption of the Jackson-Vanik Amendment by the Congress, written by D. Caldwell, political science instructor at the University of California, and on the domestic political struggle over the SALT II treaty, written by S. Flanagan, a Senate committee staffer. A separate chapter deals with Congress' role in U.S. Middle East policy between 1973 and 1976.

In the opinion of the authors, these conflicts over important foreign policy issues provide conclusive evidence that the congressional actions taken against the wishes of the executive branch have largely complicated American diplomatic maneuvers and, in some cases, have injured U.S. national interests.

The history of the Jackson-Vanik Amendment, when Congress frustrated the administration's plans and blocked the development of trade relations with the USSR but was unable to attain its objectives, is indicative in this respect. The passage of this amendment is an example of how certain groups (in this case, the pro-Israeli group) attain their goals with the help of the Congress.

The attempts of Congress to play an independent role in U.S. Middle East policy created substantial difficulties for American diplomacy. Kissinger's maneuvers, which were supposed to simultaneously secure the interests of Israel and strengthen American influence in the Arab world, did not harmonize well with Congress' strictly pro-Israeli behavior. "The increased activism of the legislative branch," the authors note, "disrupted the consistency of Kissinger's policy in the Middle East" (p 16).

Analyzing the differences in the congressional and White House positions on matters of foreign policy, the authors note the negative nature of congressional behavior in general and stress that a few groups, working through the Congress, can nullify many years of energetic preparations for important international agreements. The ratification of the Panama Canal Treaty, which the authors describe as an "agonizing" process, demonstrated, in their words, the President's vulnerability. This was also true of the discussion of the SALT II treaty in the Senate. According to the authors, both treaties were in the U.S. interest, but the procedure of ratification led to a situation in which the SALT II treaty never went into effect and the Panama Canal Treaty was just barely approved by the Senate. "In the American Government the legislative branch," the authors point out, "can reject the decision of the chief executive who conducted the negotiations, and thereby undermine his authority."

A narrow outlook, a regional bias and an inability to elaborate and implement a definite policy line are the characteristics, according to the authors, of Congress' foreign policy activity. Many works have been published in the United States in which the authors have frankly admitted that concern for the national interest often hurts a congressman's career, while tireless service in the interests of influential circles in his own district guarantees his reelection for decades.

The individualism and regionalism inherent in the election process are compounded by the weaknesses of the congressional leadership. The reforms of the mid-1970's, the eradication of the seniority system and the reduction of the power of committee chairmen contributed to the even greater decentralization of authority in the Congress. This, the authors point out, is one of the reasons for the inefficiency of the people on Capitol Hill. This is a brief account of the conclusions of the authors. Their analysis of the foreign policy activity of Congress and examination of its peculiarities as an institution from the standpoint of its ability to conduct foreign policy lead the authors to the following conclusion: "We must say that the consensus between the President and the Congress, which is supposed to guarantee responsible foreign policy, is experiencing new difficulties and is a weak link, if not the weakest, in the political process" (p X). "Several observers of the current state of affairs," S. Flanagan writes, "have decided that the reinforcement of Congress' positions has gone too far and that successful diplomacy requires the return of a strong President. But discussions of this kind serve no purpose" (p 72).

Congressional participation in foreign policy is stipulated in the nation's Constitution and, consequently, no changes can be made in the specific powers of the Congress. Most of the authors of this book feel that the current situation could be corrected by a reform to improve the partnership between the White House and the Congress. In particular, S. Flanagan proposes the organization of consultations between the Congress and the President, the creation of a joint committee on national security affairs with its members representing both the administration and the Congress, etc. Virtually all of the authors criticize the Congress and its role in foreign policy, conclude their discussions with an appeal for partnership and cooperation but say nothing about how this is to be achieved.

We must say quite frankly that the emphasis on the conflicts in interrelations between the President and the Congress does not reflect the essence of their relationship: The legislative and executive branches, despite some disagreements, proceed from the same class position, and this is particularly apparent at times of crisis or war. It should also be pointed out that conflicts between the President and the Congress are often used by American diplomacy as a means of exerting pressure on a negotiating partner.

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WHITE HOUSE OFFICE

Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 12, Dec 82  
(signed to press 19 Nov 82) pp 100-106

[Article by T. Z. Dzhaparidze]

[Text] The characteristic tendency of the last two decades toward the concentration of political, economic and administrative power and the centralization of the decision-making process in the highest echelons of the executive branch have objectively turned the White House Office into one of the decisive links of the American machinery of state.

The first attempt to create a separate subdivision within the administration structure, consisting of the President's closest advisers, was made by F. Roosevelt (on the basis of a 1939 act on the reorganization of the government and executive order 8248).<sup>1</sup> At that time, during the first years of this subdivision's existence, it consisted of only 10 people. In 1970 the number of its personnel reached the record high of 632; at present, the President is served by 434 advisers and assistants in the White House. It took around 85 million dollars to maintain this staff between 1971 and 1981. Under President Reagan, the Congress allocated 21 million dollars, also a record, for its functioning in 1981.

Officially, the chief function of the White House Office, which has been established as a permanent institution, is the timely acquisition, processing, selection and issuance of information which will later become the basis for political decision making in the White House.<sup>2</sup> But an even more important fact, in our opinion, is that in addition to performing auxiliary, advisory functions, the President's advisers and assistants also possess real political power, which enables them to participate directly in the elaboration and implementation of important state decisions. According to the metaphorical comparison of T. Sorensen, former special assistant to President J. Kennedy, these people are the "auxiliary eyes and ears" of the head of the White House and they have concentrated the important levers of authority within their own hands.<sup>3</sup>

The White House Office personnel, who are the people closest to the President, coordinate the activities of various links of the executive branch, resolve periodic interdepartmental conflicts and neutralize any sign of disagreement or disloyalty with regard to White House policy.

The change of bosses in the White House office has led to the appearance of the "Irish" group (O'Donnell, O'Brien and Dungan), the Georgia group (Jordan, Watson and Eizenstat) and the "German" group (Haldeman, Ehrlichman and Ziegler) under Presidents Kennedy, Carter and Nixon. They have now been succeeded by President Reagan's California group.<sup>4</sup>

These people have been with their bosses since the beginning of their political career and they consequently serve primarily as the personal support of the President when they reach the White House. In some cases, they have almost unrestricted power and influence: The "omnipotent" presidential advisers have been Eisenhower's S. Adams, Johnson's J. Valenti, Nixon's H. Haldeman, Carter's H. Jordan and, now, Reagan's E. Meese and NSC chief W. Clark. The frequent transfers of top White House personnel to positions of leadership in various executive departments, allegedly to "put out political fires," are mainly aimed at increasing control over the federal bureaucracy by putting people close to the President within its ranks. It is indicative that the mistrust and suspicion of the President's closest aides extend not only to departmental and agency personnel, but even the people in the White House Office. It is known, for example, that all telephone conversations in the White House were recorded in Nixon's time, including the calls of all White House Office personnel.

The expanding powers of the White House Office and growing size of its staff in our day have helped to make it a separate component of the presidential machinery, with functions which represent a counterbalance--and a successful one--not only to the entire bureaucratic staff of the executive branch, including cabinet members, but also to the Congress. The functioning of the White House Office today, according to American researchers D. Nachmias and D. Rosenbloom, serves as a vivid example of the "bureaucratization" of the very institution of the presidency.<sup>5</sup> Its increasing size and strength also have a negative effect, which, according to the astute comment of political scientist T. Cronin, consists "in the fact that the President himself sometimes needs assistance in managing all of his assistants."<sup>6</sup>

Although the influence of the White House staff was somewhat diminished (but only externally) after Watergate, it has regained its previous importance under the Reagan Administration. Its organizational structure has gained important additional elements which allow its personnel to occupy a qualitatively new position in the presidential machinery of power and to keep their hands on new and influential levers of control,<sup>7</sup> which will be discussed below.

Ronald Reagan has given the White House Office extremely broad powers; according to TIME magazine, no other president has ever paid so much attention to the opinions of his closest advisers on various aspects of policy.<sup>8</sup>

Under Ronald Reagan the management of the White House Office took on the features of a "bipolar system," consisting of two links. One is headed by E. Meese, counselor to the President with cabinet status, and the other is headed by J. Baker, chief of White House staff. A third "power center" in the White House Office soon made its appearance, and the third person in this "triumvirate" is Baker's deputy, M. Deaver.

The link headed by E. Meese originally consisted of two divisions, responsible for the workings of two interdepartmental councils--the National Security Council (NSC) and the Office of Policy Development (OPD). But after the reorganization of the White House Office just before the end of the first year of the new administration, only one link, the OPD, remained under Meese's jurisdiction. The staff of the National Security Council, under the direct jurisdiction of the President's national security adviser, acquired the status of an autonomous link and was put under the personal control of the President. The NSC underwent personnel changes in its leadership and acquired a higher institutional status. The President's assistant for national security affairs, who heads the NSC, is not only under the direct jurisdiction of the chief executive but also reports to him daily on current foreign and military policy issues.<sup>9</sup> The new head of the NSC, W. Clark,<sup>10</sup> maintains direct contact with the secretary of state, which gives him access to primary sources of information for the preparation of analytical material for NSC staffers. The main function of the NSC staff is still the coordination of administration actions in the sphere of foreign policy.

In connection with the reorganization of the NSC staff, State Department Counselor R. McFarlane, who was an NSC staffer under R. Nixon and G. Ford, was appointed deputy to the President's assistant for national security affairs. Other former officials of the U.S. foreign policy establishment, J. O'Leary and R. Morris, were appointed W. Clark's special aides. R. Pipes, who is known for his ultra-reactionary views on East-West relations, is still in charge of policy toward Eastern Europe and the Soviet Union in the NSC.

American analysts of the internal dynamics of the White House Office's functioning attach great significance to the frequency with which various officials "see" the head of the White House, since access to the Oval Office is generally equated with political power in Washington.

The key position in the White House Office hierarchy is occupied by E. Meese, a man who was christened the "chief mechanic" of the Republican administration by political analysts. Meese, the former district attorney of Alameda County (in California), has been a personal friend of Reagan's for more than 12 years. He was once a member of Governor Reagan's staff, where he was in charge of liaison with the state legislature; he also commanded the special "crisis center" which managed the suppression of the student riots in Berkeley against the war in Vietnam. In the 1980 campaign he supervised the drafting of the future President's political strategy. During the "transition period," he oversaw all political appointments and issued announcements to explain projected White House policy. According to the American press, Meese was given a completely free hand by the President in the organization of the decision-making process in the White House.<sup>11</sup> Some people feel that he was able to control administration actions.<sup>12</sup> In particular, he oversees preparations for all cabinet meetings and the coordination of the work of the five permanent interdepartmental councils and approves intermediate-level appointments in the executive branch.

Meese's deputy, R. Garrick, was also active in Reagan's campaign. Prior to his arrival in Washington, Garrick worked for a large firm, Dorman & Co., where he was a vice president and headed a branch of the firm in Los Angeles.

Although E. Meese now has official jurisdiction only over the Office of Policy Development, observers have noted the increasing influence of this link and have associated it with the persistent attempts of the White House to implement an economic program that has evoked harsh criticism in the nation. The chief responsibility of the OPD staff is the successful functioning of the interdepartmental councils on domestic policy affairs which were organized by the President at Meese's suggestion; they will be discussed below. Besides this, the OPD has taken an active part in the planning of several domestic policy measures of an operational nature. In particular, OPD analyses were the basis of Reagan's "new federalism" program.

In terms of its organizational structure the OPD is the twin of the National Security Council. The head of the OPD has direct control over the director and his deputy, and they in turn supervise the activities of 10 staffers, 6 of whom are special assistants while 4 are senior political advisers.

Let us take a look at the interdepartmental councils on domestic policy affairs. It is at meetings of these councils that the main discussions of priorities in this sphere are held. Their chief purpose, according to E. Meese, is to coordinate the functioning of the basic links of the institution of presidential authority, particularly when the matters they consider are simultaneously under the jurisdiction of several departments.<sup>13</sup> In essence, these councils were formed to strengthen White House control over the activities of various executive agencies and departments.

Five such interdepartmental councils have been created. The economics council, which is headed by the secretary of the treasury, is made up of the secretaries of state, commerce, labor and transportation and the director of the Office of Management and Budget. Issues discussed at council meetings cover a broad range of subjects, such as the financing of purchases of petroleum products to increase U.S. strategic reserves, policy toward countries owing debts to the United States, the adjustment of financial policy with a view to congressional budget debates and the organization of summit-level meetings on economic issues.

The trade council is headed by the secretary of commerce. Other members are the secretaries of state, the treasury, agriculture, labor and transportation, the attorney general, the U.S. trade representative and the chairman of the Council of Economic Advisers. This council is in charge of international trade programs, including those pertaining to East-West trade, telecommunications and so forth.

Meetings of the council on agriculture and food are chaired by the secretary of agriculture. They are attended by the secretaries of state, the interior, commerce and transportation and the U.S. trade representative. They discuss U.S. policy on levels of agricultural production, shipments of grain to other countries, etc.

The chairman of the council on natural resources and the environment is the secretary of the interior. Other members are the attorney general, the secretaries of agriculture, transportation, housing and urban development, and

energy and the chairman of the Council of Economic Advisers. It examines questions connected with energy problems, environmental protection, mineral extraction and petroleum production.

The council on human resources consists of--in addition to its chairman, the secretary of health and human services--the attorney general and the secretaries of agriculture, labor and housing and urban development. This council's primary concern is the social policy of the administration.

These councils function on three levels.<sup>14</sup> When decisions must be made on important and delicate issues, meetings are chaired by the President himself. Working meetings of each council are headed by provisional chairmen. The third level of activity consists in the preparation of various analytical papers. This work is performed by executive secretaries (OPD staffers) and representatives of the Office of Management and Budget.

The councils give E. Meese considerable political leverage. It is he who, acting as a kind of "regulator," determines the priority and significance of various programs before they reach the Oval Office. But the interdepartmental councils do not always issue recommendations which coincide precisely with the administration's general policy line. In these cases, temporary task forces are set up with the aid of the White House Office to draft provisional decisions.

Prior to February 1982, the OPD was headed by M. Anderson, who had the status of presidential assistant. He was Reagan's chief adviser on domestic policy during the 1980 campaign. In addition to performing his OPD functions, he was a member of the quartet of chief White House economic advisers along with the secretary of the treasury, the director of the Office of Management and Budget and the chairman of the Council of Economic Advisers. Anderson was also executive secretary of the Advisory Council on Economic Policy, a non-governmental organization headed by G. Shultz, now the secretary of state.

The American press had much to say about the reasons for Anderson's resignation. Anderson's own explanation was that he wanted to return to his scientific career at Stanford University's Hoover Institute. According to some White House staffers, however, the constant conflicts he had with J. Baker and D. Stockman were the main reason.

The new head of the OPD, E. Harper, is 39 years old. He has a doctorate in law. From 1968 to 1973 he assisted the head of the domestic policy council in the Nixon Administration, from 1973 to 1980 he was a business executive and he became the deputy director of the Office of Management and Budget when Reagan took office.

Now let us look at the second link of the White House Office, headed by J. Baker. This system makes Vice-President G. Bush a "lone wolf" among the people closest to the President because all other advisers and assistants, including the staff directly under Baker's jurisdiction, have been called "Reagan's people" by the American press.

The main function of Baker's subdivision is the elaboration of White House political and legislative strategy and the promotion of administration programs in the Congress. Political correspondents have noted that the President owes the congressional passage of several measures to J. Baker and his assistants.

Baker's father was one of the founders of Baker & Botts, a well-known law firm in Houston. He holds a degree in jurisprudence and worked for another well-known law firm, Andrews, Curt, Campbell & Jones. He became active in politics in 1970, when he changed his political affiliation (he joined the Republican Party) and managed G. Bush's Senate campaign. In 1975 President G. Ford appointed Baker deputy secretary of commerce. In 1976 he headed the national committee for the re-election of President Ford. In 1980 he managed the election campaign of current Vice-President G. Bush.

Observers have noted that Baker has consolidated his influence in the White House Office substantially. Reagan's advisers were obviously suspicious of him at first because of his long association with the moderate wing of the Republican Party. Baker's authority was enhanced largely by the support he received from Nancy Reagan, the President's wife, and by the improvement of his relations with members of the "New Right." It is known that people on the extreme right won several important jobs in the administration with Baker's help: In particular, T. Pauken, a conservative from Dallas, was appointed director of ACTION (the reorganized "Peace Corps").<sup>15</sup>

J. Baker's deputy is D. Gergen. He is 30 years old. From 1971 to 1977 he was a White House aide. In the White House Office Gergen is in charge of communications and public relations and also supervises the writing of presidential speeches.

Six administrative subdivisions are under Baker's jurisdiction: the offices of personnel, legislative affairs,<sup>16</sup> political affairs, intergovernmental affairs, public liaison and communications.

The personnel office is headed by F. James, assistant to the President for presidential personnel. He is 51. He headed the personnel department of the large Aerojet military corporation for many years. He worked for the leading executive search corporation, Heidrick & Struggles. From 1971 to 1973 he was a member of the White House staff. He took an active part in the selection of political appointees in the Reagan Administration.

M. Friedersdorf headed the White House office of legislative affairs. He resigned at the beginning of November 1981--officially for personal reasons. Observers noted, however, that his departure from the administration attested to fierce disagreements within the White House Office. He was succeeded by his deputy, K. Duberstein, who was assistant secretary of commerce in the Ford Administration.

There was also a change of presidential assistants for political affairs. When F. Nofziger resigned, the position was filled by E. Rollins. Rollins' main function is the elaboration of White House strategy for the gubernatorial and congressional elections in fall 1982.

R. Williamson is in charge of intergovernmental affairs. He is 31. He holds a degree in jurisprudence and worked on the congressional staff and for Winston & Strawn, a Washington law firm. In 1980 he was active in Reagan's campaign.

E. Dole, the wife of Senator R. Dole, is in charge of public liaison. She has a degree in law and education. She was part of a consumer aid task force in the White House Office in 1971 and a member of the Federal Trade Commission from 1973 to 1979. She headed the national committee of "Voters for Reagan and Bush" during the 1980 campaign.

The press office was headed by J. Brady (before he was severely wounded during the attempted assassination of R. Reagan). He is 40. He worked in the departments of defense and housing and urban development in the Nixon and Ford administrations. Now his office is being supervised by his deputy, L. Speakes.

J. Baker's deputy, M. Deaver, deserves special mention. He schedules the President's appointments and plays an important role behind the scenes. He is the only member of the administration who has unlimited access to the Oval Office. Deaver's political influence is attested to by the fact that he was in charge of coordinating the preparation of analytical information for Reagan's foreign trips.

It is M. Deaver who is in charge of the President's so-called "Special Support Services" (SSS). This office is responsible, in particular, for the uninterrupted functioning of the White House telephone and telex system. The SSS director, E. Hickey, oversees four military aides, one of whom is always standing by the President's side and carrying a "black briefcase," which can be used to transmit a coded command from the chief executive to sanction a nuclear attack. Besides this, Hickey is in charge of the crews of the President's personal plane and the naval helicopter assigned to the White House and the transport subunits of the mechanized infantry corps serving the chief executive. In all, the SSS staff numbers around 1,200, including the President's Secret Service bodyguards. The cost of maintaining this staff (around 30 million dollars a year, which exceeds the amount allocated by Congress for the maintenance of the entire White House Office in 1981 by more than 8 million) is "charged" to various branches of the armed services and executive agencies.

Finally, the personal secretary of "First Lady" N. Reagan is also under M. Deaver's jurisdiction.

As for Vice-President G. Bush's staff, it is an organic part of the White House structure.<sup>17</sup> In addition to the formal, purely ritualistic functions the White House generally assigns to the vice president, Bush has been active in the planning of several government measures.

The vice president and the chief of his staff, D. Murphy (see below), are regularly invited to discussions of the daily reports prepared for R. Reagan by his assistant for national security affairs. A key administration link in military and foreign policymaking is the national security planning group, a link consisting of high-placed members of the administration and meeting

informally. In addition to G. Bush, these meetings are attended by G. Shultz, C. Weinberger, W. Casey, E. Meese, J. Baker, M. Deaver and W. Clark.

Bush is the head of the White House operational center for the observation of all seats of tension both inside and (what is most important) outside the nation. The members of the group include C. Weinberger, G. Shultz, J. Baker, E. Meese, M. Deaver, W. Casey, W. Clark and J. Vessey. As Bush's assistants declared, this center is authorized to coordinate and oversee all of the political resources of the federal government to prevent crises and to regulate emergencies which take on the nature of crises. The members of this group prepare political reports for the head of the White House, on the basis of which the President makes specific political decisions.

Bush is a member of each of the five interdepartmental councils on domestic policy affairs. He often chairs meetings of these councils in Reagan's absence. Besides this, he heads a task force responsible for the review and repeal of government standards and regulations.

According to the Constitution, the vice president is the chairman of the Senate. In the political sense, this is regarded as an insignificant position because he only votes in case of a tie. Political analysts have noted, however, that G. Bush has stepped up his legislative activity considerably and often transcends the bounds of his constitutional duties. The vice president not only chairs plenary meetings of the Senate but also meets regularly with members of the policy commission which functions within the Senate Republican faction. Besides this, Bush has not severed ties with his former colleagues in the House of Representatives and organizes informal discussions of current aspects of policy with congressmen. In this way, Bush serves as one of the main lobbyists of the President's legislative program in the Congress.

The vice president's staff is headed by D. Murphy, a retired admiral of the U.S. Navy. He is 59. He commanded the aircraft carrier "Bennington" during the war in Vietnam. He headed the 6th Fleet in the Mediterranean. After retirement he held important positions on the staff of Defense Secretaries M. Laird and E. Richardson. Murphy was deputy director of the CIA in 1976 and 1977, when the agency was headed by G. Bush. Key positions on the vice president's staff are occupied exclusively by people who previously worked either with G. Bush or with D. Murphy.

An analysis of the activity of the White House Office in the Reagan Administration illustrates the continuing tendency toward stronger presidential and White House Office control over the functioning of all links of the executive branch. The constant contraction of the group of people (mainly those closest to the President) participating directly in political decision making and the friction between these individuals, which is constantly reported by the press (it led to the resignation of P. Allen, M. Friedersdorf, F. Nofziger and M. Anderson), testify that the administration's policy line is encountering increasingly serious difficulties.

#### FOOTNOTES

1. See USC 1970, Ed 53, Statute 561. The assistants of the first presidents functioned primarily on an informal basis. George Washington paid for the services of his personal secretary out of his own pocket; it was not until 1857, under the Lincoln Administration, that Congress began to allocate funds to pay the salaries of presidential assistants, but the same Lincoln sorted his own mail, G. Cleveland answered the telephone in the White House and W. Wilson typed many of his own speeches.
2. "A Presidency for the 1980's," Report by a Panel of the National Academy of Public Administration, November 1980, p 17.
3. Quoted in: T. Dye and L. Zeigler, "The Irony of Democracy. An Uncommon Introduction to American Politics," N.Y., 1981, p 315.
4. For more about Reagan's "kitchen cabinet," see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 7, 1981, pp 119-123.
5. D. Nachmias and D. Rosenbloom, "Bureaucratic Government USA," N.Y., 1980, p 87.
6. T. Cronin, "The State of the Presidency," Boston, 1974, p 118.
7. Incidentally, appointments to the White House staff are not approved by the Senate.
8. TIME, 14 December 1981, p 23.
9. Former NSC head R. Allen was in charge of the compilation of written reports, which were only passed on to Ronald Reagan after they had been approved by E. Meese.
10. It was on the recommendation of W. Clark, who headed the governor of California's staff from 1967 to 1969, that E. Meese and M. Deaver were hired. Incidentally, according to what Clark himself admitted during hearings before the Senate Committee on Foreign Relations, he had "zero" foreign policy experience at the time of his appointment ("Nomination of Justice William P. Clark," Hearings before the Committee on Foreign Relations, U.S. Senate, Wash., 1981, p 5). Obviously, his personal loyalty to the head of the White House, and not his experience, was the main consideration in his appointment.
11. THE WALL STREET JOURNAL, 11 February 1981.
12. Ibid., 15 October 1981.
13. NATIONAL JOURNAL, 11 July 1981, p 1242.
14. Ibid., 7 March 1981, p 399.

15. For more detail, see TIME, 14 December 1981, p 23; THE NEW YORK TIMES, 8 February 1982.
16. For more about the structure and workings of the White House office of legislative affairs, see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 2, 1978, pp 124-127.
17. NATIONAL JOURNAL, 24 April 1981.

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